Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries of Selected Countries

U.S. Department of Labor
Bureau of International Labor Affairs
February 2000

Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries of Selected Countries

U.S. Department of Labor
Alexis M. Herman, Secretary

Bureau of International Labor Affairs
Andrew J. Samet, Deputy Under Secretary

February 2000

WAGES, BENEFITS, POVERTY LINE, AND MEETING WORKERS' NEEDS IN THE APPAREL AND FOOTWEAR INDUSTRIES OF SELECTED COUNTRIES

Prepared by the
U.S. Department of Labor
Bureau of International Labor Affairs

February 2000

Acknowledgments

This report was prepared under the direction of Andrew J. Samet, Deputy Under Secretary for International Labor Affairs. The writing, editing, research, and coordination of the report was done by Gregory K. Schoepfle, Director, Foreign Economic Research Division, Office of International Economic Affairs (OIEA), Bureau of International Labor Affairs (ILAB) together with OIEA staff Ana Gustave-Schmidt, Maureen Pettis, and Robert Shelburne. Essential guidance and input was provided by Jorge Perez-Lopez, Director, OIEA. The research for this study was completed in December 1999 and was current as of that date.

Other staff from ILAB, the Bureau of Labor Statistics, the Employment Standards Administration, the Department of Labor Library, the Office of the Solicitor, and the Office of the Secretary who made contributions or provided materials include: Kenneth Swinnerton, Charles Spring, Joan Barrett, Julie Misner, Patricia Capdevielle, Chris Kask, Nathaniel Halsey, Paul Handakas, Constance Sorrentino, John Fraser, Alan Moss, Daniel Sweeney, Maureen Morrill, David Konieczko, Herman Narcho, Earl Gohl, and Stephanie Swirsky. In addition, significant contributions were made by labor reporting officers, labor attaches, and other officials in U.S. embassies, consulates, and institutes abroad with assistance from Jake Aller and Alden Irons in the U.S. Department of State's Bureau of Human Rights, Democracy and Labor. Useful comments and suggestions on an earlier draft of this study were provided by Gordon Fisher at the U.S. Department of Health and Human Services.

This report was published by the U.S. Department of Labor, Bureau of International Labor Affairs. Copies of the report may be obtained by contacting the Office of International Economic Affairs, Bureau of International Labor Affairs, U.S. Department of Labor, Room S-5325, Constitution Avenue, N.W., Washington, DC 20210. Telephone: (202) 219-7610, extension 138; Fax: (202) 219-5071. E-mail: <schoepfle-gregory@dol.gov>. The report is available on the Internet at: <http://www.dol.gov/ilab/public/media/reports/oiea/main.htm>.

Table of Contents

Page

EXECUTIVE SUMMARY i

INTRODUCTION 1

Data Elements and Sources of Information 2
Organization of the Study 3

PART I WAGES, BENEFITS, POVERTY LINE, AND MEETING WORKERS' NEEDS: DEFINITIONS AND MEASURES

Introduction I-1
Minimum Wage I-2
Prevailing or Average Wage I-12
Non-Wage Benefits I-14
Assessing Basic Needs: The Poverty Line I-17
Meeting Workers' Needs I-27
Summary of Available Information on Wages, Benefits, Poverty Line, and Meeting Workers' Needs for Selected Countries I-38

PART II COMPENDIUM OF COUNTRY INFORMATION ON WAGES, BENEFITS, POVERTY LINE, AND MEETING WORKERS' NEEDS

Bangladesh II-1
Brazil II-8
Cambodia II-13
Canada II-15
China II-19
Colombia II-24
Costa Rica II-30
Dominican Republic II-35
Egypt II-41
El Salvador II-44
Guatemala II-50
Honduras II-56
Hong Kong II-61
India II-65
Indonesia II-72
Israel II-79
Italy II-86
Jamaica II-92
Macau II-96
Malaysia II-98
Mauritius II-102
Mexico II-107
Nicaragua II-115
Pakistan II-118

Page

Peru II-124
Philippines II-128
Singapore II-134
South Korea II-138
Spain II-142
Sri Lanka II-146
Taiwan II-150
Thailand II-153
Turkey II-158
United Arab Emirates II-163
United Kingdom II-165
United States II-169

APPENDIXES

A SELECTED INTERNATIONAL LABOR ORGANIZATION (ILO) DOCUMENTS RELEVANT TO MINIMUM WAGE SETTING

Preamble to the ILO Constitution A-1
ILO Conventions and Recommendations
Convention No. 26: Minimum Wage-Fixing Machinery (1928) A-2
Recommendation No. 30: Minimum Wage-Fixing Machinery (1928) A-5
Convention No. 99: Minimum Wage Fixing Machinery (Agriculture) (1951) A-8
Recommendation No. 89: Minimum Wage Fixing Machinery (Agriculture) (1951) A-12
Convention No. 131: Minimum Wage Fixing Convention (1970) A-14
Recommendation No. 135: Minimum Wage Fixing (1970) A-18

B SURVEY OF THE LITERATURE AND OTHER SOURCES OF INFORMATION ON THE EXTENT TO WHICH WORKERS' WAGES MEET THEIR BASIC NEEDS

Early History B-1
Recent Studies and Other Sources of Information: An Annotated Bibliography B-7

C RESPONDENTS TO *FEDERAL REGISTER* NOTICE OF JUNE 30, 1999 FOR PUBLIC SUBMISSIONS OF INFORAMTION FOR THE U.S. DEPARTMENT OF LABOR'S WAGE STUDY C-1

D BASIC REFERENCES FOR WAGES, BENEFITS, AND POVERTY

Minimum Wage D-1
Average Hourly Earnings and Compensation D-2
Consumer Price Index and Exchange Rates D-3
Non-Wage Benefits D-3
Income, Consumption, and Poverty D-4

List of Tables in Introduction and Part I

Page

Table 1. Principal Sources of U.S. Imports of Apparel 4

Table 2. Principal Sources of U.S. Imports of Footwear 5

Table I-1. Minimum Wage Setting and the Number of Hours in a Standard Workweek in Selected Countries I-43

Table I-2. Prevailing or Average Wages in the Manufacturing Sector and in the Footwear and Apparel Industries in Selected Countries, Latest Available Year I-44

Table I-3. The National Poverty Line in Selected Countries, Official Thresholds and Other Estimates, Most Recent Year I-46

Table I-4. Percent of Population Below the National and International Poverty Line in Selected Countries I-48

Table I-5. Percentage of National Population Below International Poverty Lines in Selected Countries I-49

Table I-6. National Poverty Lines and Minimum and Prevailing Wages in the Footwear and Apparel Industries in Selected Countries, Latest Available Year I-50

EXECUTIVE SUMMARY

The footwear and apparel industries are some of the low-wage manufacturing industries that have been dramatically affected by the changing patterns of global sourcing and production. This study focuses on these industries in 35 major apparel and/or footwear exporting countries and the United States, and addresses issues related to the minimum wage, the prevailing or average wage, non-wage benefits, measures of workers' basic needs (the poverty line), and the extent to which wages meet such needs. Part I examines definitions and measures related to these subjects, and Part II provides available information on these items for each of the countries examined. The study was conducted to gather available information on these subjects and inform public discussions of these issues.

In a wage economy, workers provide their services to an employer for a remuneration. The issue of a "fair" wage for one's labor, which is sufficient for a worker to provide for the needs of his/her family, has been debated for some time. Concerns about protecting workers in low-pay occupations and other vulnerable groups (e.g., women, children, immigrants, and those without workplace representation) have led to the establishment of a floor (or minimum) on wage levels in many countries. Declarations and covenants of several United Nations and regional bodies have made reference to the right of workers to expect that the compensation from their labor will provide an adequate standard of living. The constitutions of several countries have expressed goals which recognize the right of workers to a wage which provides a "decent" standard of living for their families.

Since its creation in 1919, the International Labor Organization (ILO) has been concerned about the provision of a wage that would give a worker a "reasonable standard of life as this is understood in their time and country." The Preamble of the ILO's Constitution recognizes the need to improve conditions of work, inter alia, by the "provision of an adequate living wage." Historically, the ILO has provided guidance on the establishment of minimum wage fixing mechanisms. In 1928, the ILO adopted its first convention and recommendation regarding minimum wages for trades in manufacturing and commerce. Subsequently, conventions and recommendations were adopted concerning minimum wage-fixing machinery in agriculture (1951) and in developing countries (1970).

Most countries around the world have set minimum wages. Minimum wage fixing systems adopted by countries differ according to their objectives and criteria; wage fixing machinery and procedures; coverage; and operation and enforcement. The minimum wage is usually set by striking a balance between the needs of a worker and his/her family and what employers can afford or what economic conditions will permit.

The term "prevailing wage" has been interpreted in a variety of ways, such as the "going rate" or the average level of wages paid by employers for specific occupations in a community or area. In some cases, it may refer more broadly to the rate paid to most workers or the rate established by trade union contracts. In most cases, the prevailing or average wage is greater than, or equal to, the minimum wage (if one has been set). However, local labor market and economic conditions, the wage setting mechanism, location, job tenure, size of firm, a firm's level of capitalization and technology, and the mix of skills necessary for particular occupations, among other things, may affect the prevailing wage in a particular area or country. By construction, an average wage rate represents a center or middle rate around which actual wages lie; the quality of this measure as being representative of the earnings of a worker in a group will depend on the dispersion or spread of actual wage rates around the average rate, which is likely to be larger the greater the skill/tenure spread or the production/supervisory worker mix of the representative worker group. Information on prevailing or average wages in the apparel and footwear industries is often limited and not timely.

Non-wage benefits provided to employees in many cases represent a substantial portion of their total compensation. These benefits augment income and may include: pay for time not worked (e.g., vacations, public holidays, and sick leave); supplementary pay (e.g., profit sharing, year-end, attendance, and other nonproduction bonuses); deferred retirement income (e.g., defined benefit or defined contribution plans); insurance (e.g., life, health, and disability insurance); and social insurance benefits (e.g., social security, health care, severance pay or unemployment insurance, and workers' compensation); training and education courses; and plant facilities and services (e.g., cafeteria, medical clinic, day care, or housing).

Some non-wage benefits, such as social insurance and retirement benefits, are usually government-mandated. However, other non-wage benefits may not be required by law, such as those negotiated by labor unions in collective bargaining agreements, or those that may be the practice of the company or industry itself, such as providing health or dental insurance or maternity leave (which may or may not be a "mandated benefit" in some countries), life insurance, transportation, subsidized meals, child care and recreational facilities, or worker training programs. In addition, there may be privately financed (employer-employee) benefits arrangements, which are available as alternatives to statutory programs, that may or may not be mandatory in some countries. In addition to employer-provided benefits, the government in some countries provides low-income families assistance through direct tax credits, subsidies, and other income transfers.

Measures of poverty are usually developed by national statistical agencies for use in development planning or as a basis for providing social assistance to the needy. In most cases, an absolute measure is adopted to set the national poverty line. The poverty rate is the percentage of the population living below the poverty line. The national poverty rate is often disaggregated into urban and rural poverty rates. The usual starting point for setting an absolute country-specific poverty line is the calculation of the cost of a minimum set of basic needs for a family unit (or individual), composed of per capita food needs and other essential non-food needs (such as shelter, clothing, education, transportation). The composition of the food basket is usually determined by considering the prevailing dietary habits within the country, while the composition of the non-food essentials may vary within and across countries and may depend on a variety of social, cultural, institutional, political, economic, climatic, or development factors.

Some countries have not adopted an official poverty measure due to a lack of national consensus. Disagreements arise with regard to how the poverty measure is defined and how the normative threshold is set since it is usually based on the cost of either a subsistence food basket or an expanded market basket of essential goods and services that reflects some arbitrarily selected set of "basic needs." Most poverty thresholds are set in terms of some income level required to purchase goods and services related to basic needs, raising the question as to how income is defined and measured.

The establishment of a minimum wage system is often portrayed as a means for ensuring that workers will receive an income (or "living wage") which enables them to meet their basic needs (and, in some cases, those of their families). Determination of such a wage raises questions similar to those that arise in the measurement of poverty (e.g., in terms of definition, content, and composition of households and income or consumption measures used; and the number of wage earners in a household and other sources of income). While the concept of a minimum wage which is a "living wage" may be consonant with some international covenants and declarations and the goal of reducing poverty, economic and labor market conditions (i.e., the ability to pay such a wage) may restrain the setting of a "living wage."

The term "living wage" is often used as a synonym for a "fair and decent" level of income that would enable workers to meet their "basic needs." However, there is little agreement on the definition of what exactly constitute "basic needs" or on a methodology to determine the income necessary to meet such needs. While there have been a number of declarations and conventions by regional and international bodies concerning the right of workers to receive an adequate wage, most do not provide a precise definition of how it should be determined. For some, "basic needs" mean mere physical subsistence. For others, "basic needs" include a nutritious diet, safe drinking water, suitable housing, energy, transportation, clothing, health care, child care, education, savings for long term purchases and emergencies, and some discretionary income. Even among those who agree with this more expansive definition, significant differences of opinion remain as to what level of income is required in order to meet these objectives. In addition, some have argued that a living wage is not just about the wage level, but also about other conditions of work such as limitations on the number of hours of work.

For the 36 countries or entities examined, this study finds:

<u>Minimum Wage</u>

- Only five countries or entities (Hong Kong, Macau, Malaysia, Singapore, and the United Arab Emirates) do not have a minimum wage. Cambodia is the only country which has established a minimum wage solely for workers in the apparel industry.

- For countries which have a minimum wage, the minimum wage fixing system differs according to objectives and criteria, machinery and procedures, coverage, and subsequent adjustment as well as the operation and enforcement of rules established. In many of the countries examined, minimum wages are set by a tripartite committee or commission comprised of representatives from workers, employers, and the government, while in others they set by executive decree or legislative actions.

- The scope of application of minimumwage laws may be general and applicable nationwide (e.g., in the United States, Spain, Brazil, and the United Kingdom), or vary by region or jurisdiction of the country (e.g., in Mexico, Canada, Philippines, and Indonesia), by industry (e.g., in Bangladesh and Cambodia), by skill level or occupation (e.g., in Bangladesh and Costa Rica), or a combination of these factors. In some cases, minimum wages are set through industry-wide collective bargaining agreements (e.g., in Italy).

! While the intent of most minimum wage legislation is to protect low wage workers and to provide a general wage floor for employment of workers, there may be groups of workers, professions, occupations, or certain activities which are excluded. Exclusions are often based on the type and size of the enterprise (e.g., in the Dominican Republic, Bangladesh, and India), while reduced minimum wage rates may apply to certain workers such as youth (e.g., youth 18-21 in the United Kingdom) or trainees (e.g., in Bangladesh, El Salvador, and Thailand).

! Frequent or substantial increases in the price level tend to be the primary reason for countries making upward adjustments in the minimum wage (e.g., Mexico).

! All of the countries or entities examined—except Hong Kong—have established limitations on the number of hours in a standard workweek, which range from 40 to 58 hours per week. Provisions in national legislation usually provide for higher rates of pay (overtime rates of pay) for the hours worked above the number in a standard workweek. In at least one case (United Kingdom), there is an absolute limitation (including overtime) placed on the number of hours of work permitted in a workweek; some countries place certain limitations on the amount of overtime permitted over a specified time period, while others have no legal limitations on overtime (e.g., Philippines).

Prevailing or Average Wage

! The extent and quality of available information on prevailing or average wages in the manufacturing sector and in the footwear and apparel industries varies widely across the 36 countries considered. Prevailing or average wage information was not available in all manufacturing for 4 countries (Cambodia, Honduras, Indonesia, and the United Arab Emirates), in the apparel industry for 4 countries (the Dominican Republic, Nicaragua, Sri Lanka, and the United Arab Emirates), and in the footwear industry for 12 countries (Brazil, Cambodia, the Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Pakistan, Singapore, Sri Lanka, and the United Arab Emirates). When prevailing or average wage or earnings data were available, coverage varied by area (e.g., only a limited geographical area) or by industrial classification (e.g., included additional products such as other leather products with footwear or textile products with apparel). Some earnings measures reflect a rate of pay, only pay for time worked (straight-time), or may include (or exclude) some payments for time not worked, bonuses, or other in-kind payments.

! For countries where prevailing or average wage data were available, average earnings in both the footwear and apparel industries, for the most part, tended to be lower than in all manufacturing but higher than the minimum wage level (except for Cambodia, Peru, and the Philippines were the minimum wage appears to be close to the prevailing wage in the apparel industry); average earnings tended to be slightly higher in footwear than in apparel.

Non-Wage Benefits

! When certain employer-provided non-wage benefits are required by government, they generally apply to all private sector workers in the manufacturing sector rather than just to workers in the footwear or apparel industry.

! In most countries considered, employers' payments to their employees for non-wage benefits account for a substantial portion of average compensation costs (e.g., over 50 percent in Costa Rica and Guatemala).

! Most countries provide for a certain number of paid legal public holidays, while provisions for paid vacation or sick leave appear to be more discretionary. A common non-wage benefit is the contribution to a compulsory (or in some instances, contractual or private) social security or insurance scheme (e.g., pension or savings plan, casualty and life insurance, health and maternity care, and severance pay or unemployment insurance) established for the employee in which the employer (and, in many cases, to a lesser extent, the employee and the government) are required to contribute.

- Other non-wage benefits are usually discretionary and vary from country to country with the most common examples being the provision of employee training and education programs and certain plant facilities and services (e.g., cafeteria, medical clinic, day care center, recreational facilities, transportation, or housing). Production and attendance bonuses are also common in the apparel industry. In some countries (especially in Latin America), year-end Christmas bonuses (up to one-month's pay) are common.

- Required employer contributions to social insurance schemes are usually clearly defined as a percentage of payroll, but represent deferred payments to the worker. In contrast, vacation and holiday pay and bonus payments directly augment a worker's current income. For other benefits (such as provision of plant facilities and services), it is more difficult to evaluate how these affect a worker's income.

- In some countries examined, the government provides family allowances or other direct welfare payments or subsidies to low income families. Income tax income thresholds are usually set high enough to exempt many low-wage workers. The extent to which a government participates in social security or insurance schemes or provides assistance laidoff workers varies widely from country to country.

Poverty Line

- Most poverty measures which are available for individual countries are either (1) official or other estimates of absolute poverty thresholds, usually based on the cost of some specified set of basic needs and expressed as an income, consumption, or expenditure threshold in national currency terms or as the percentage of the population below the threshold; or (2) poverty measures for a country which are produced by the World Bank or the United Nations Development Programme (UNDP) and estimate the percentage of the population with income below US$1 or US$2 per person per day, in terms of 1985 purchasing power parity adjusted US$. Israel and Italy are the only countries examined that have officially adopted a relative poverty measure (50 percent of median net income).

- In general, since poverty estimates usually require collection of information on income, consumer expenditures, and prices, estimates are often made less frequently (every three to five years) than for earnings estimates (monthly or annually). Rapidly unfolding economic events with both national and international consequences (such as the recent Asian financial crisis) may not be reflected in these less timely measures.

- For various reasons, about 14 of the 36 countries examined have not established an official national poverty line. Some type of poverty estimate—official or unofficial—is available for each of the countries considered except for Macau, Singapore, and the United Arab Emirates. Estimates of a national poverty line (absolute level) are not available for the Dominican Republic (though the percentage of the population below the line is) or for Canada, Spain, or the United Kingdom (though international poverty measures are). International poverty measures (in purchasing power parity adjusted US$) are not available for 8 countries (Cambodia, El Salvador, Hong Kong, Israel, Mauritius, South Korea, Taiwan, and Turkey).

- Nation-specific poverty lines, often with separate urban and rural measures, are useful for individual country analysis, but cannot be compared with those from other countries since the basis for establishing the poverty line usually differs across countries. In some cases, it is not clear to what extent, if at all, government transfer payments, employer provided non-wage benefits, and other sources of income have been taken into account in establishing the national poverty line.

- In general, countries with a higher the level of development (and price structure) will usually have higher poverty thresholds that reflect a wider mix, choice, and availability of goods and services.

Meeting Workers' Needs

- For the countries considered, there appears to be little conclusive evidence on the extent to which wages and non-wage benefits in the footwear and apparel meet workers' basic needs.

- Many countries take into consideration the poverty threshold (if one has been established), among other things, in setting and adjusting the minimum wage. While in many cases the minimum wage is supposed in theory to meet a worker's basic needs, the level at which it is actually set usually represents a political compromise or a balance between meeting those needs and economic conditions and the employer's ability to pay.

- In assessing the adequacy of wages, decisions must be made on whether one wage earner should be able to support (meet the basic needs of) his/her family (support for how many dependents?); how much is enough (poverty measures usually tell us how much is too little); whether income from other sources (investments, savings, or in-kind or non-cash payments) should be included in determining disposable income; and whether one's position in the life-cycle should be considered. As with the construction of poverty measures, opinions vary widely on these questions, especially with regard to the treatment and valuation of health care and insurance, housing, and child care expenses.

- Only one country (the Philippines) considered here has established a commission to examine the issue of a living wage. In the United States, the Census Bureau has published alternative poverty measures, and the federal government is reexamining its official poverty definition which has been in use for over 30 years, with annual adjustments only for inflation. Several private sector groups have constructed estimates of a living wage for workers in a few countries (e.g., the United States and Indonesia), but such studies are not generally available for most other countries.

- For several countries where data are available, the minimum wage (and in a few more countries, the prevailing wage in the footwear or apparel industries) may yield an income above the national poverty threshold for an individual (and perhaps one dependent, but not for a family of 4 or 5 with one wage-earner). However, whether this wage is a "living wage" is likely to lie in the eye of the beholder.

INTRODUCTION

As part of its on-going activities, the U.S. Department of Labor promotes the widespread recognition and observance of core labor standards and the general improvement of working conditions around the globe. At home, the Department seeks to assure quality workplaces that are safe, healthy, and fair. In particular, the Department's public education efforts seek to inform and improve understanding of and compliance with basic labor standards such as minimum wage, overtime, and child labor laws, which seek to protect the most vulnerable in the workplace, in particular, the low-wage and working poor.

The apparel and footwear industries—two very cost-competitive, low-paying, and labor-intensive industries within the manufacturing sector—historically have been among the most dramatically affected by changing patterns of global sourcing and restructuring. The U.S. Department of Labor, through its "Operation No Sweat" initiative that targets investigations and enforcement in partnership with industry stakeholders, has focused its efforts on the domestic garment industry to eradicate the highly mobile contract sewing shops that violate the Fair Labor Standards Act.

With growing international sourcing of footwear and garments, U.S. consumers increasingly are expressing concerns about transnational business practices and the working conditions under which imported goods are made. Similarly, retailers and other importers of footwear and apparel, as well as domestic manufacturers that subcontract fabrication and assembly outside of the United States, are also asking similar questions about working conditions. In some cases, these retailers or producers have established codes of conduct or terms of engagement that seek to assure that foreign contractors or suppliers meet at least some minimal labor standards.

In August 1996, President Clinton and Vice President Gore met with leaders from the footwear and apparel industry, labor, nongovernmental organizations, and consumer groups to discuss the problem of sweatshops, consumer concerns, and the need to join together to address these issues. The private sector group that ensued, the Apparel Industry Partnership (AIP), developed a workplace code of conduct and independent monitoring system in April 1997 to assure Americans that the shoes and clothes they buy are made under decent and humane working conditions. In November 1998, the AIP established an independent association, the Fair Labor Association (FLA), to implement the workplace code and monitoring principles, assure compliance, and inform consumers about the workplace code and which companies comply.

This study was conducted to inform the public discussion on several important aspects of working conditions in the footwear and apparel industries and, in part, to respond to the Fair Labor Association's request for publicly available wage information. It gathers and presents publicly available information on the wages and benefits of workers in the apparel and footwear industries of the United States and countries which are major suppliers of apparel and footwear to the U.S. market. The study also collects information on measures of basic needs (poverty measures) and the extent to which workers' wages meet such needs.

The countries selected for this study are: (1) the top-30 country suppliers of apparel to the U.S. market in 1997 and 1998, which accounted for about 92-93 percent of all U.S. apparel imports (Table 1);[1] and (2) the top-10 country suppliers of footwear to the U.S. market in 1997 and 1998, which accounted for approximately 92-93 percent of all U.S. footwear imports (Table 2). Since some countries appear in both groups,[2] there are 35 different countries that were either major suppliers of apparel or footwear, or both, to the U.S. market in 1997 or 1998. These 35 countries and the United States constitute the apparel and footwear producing countries considered in this study.

Data Elements and Sources of Information

For each of the 35 countries in Tables 1 and 2 and the United States, the study presents publicly available information on the following data elements: (1) minimum wage; (2) prevailing or average wage in the manufacturing sector and the footwear and the apparel industries (if available); (3) non-wage benefits for workers in the footwear and apparel industries; (4) assessments of workers' basic needs using poverty measures; and (5) assessments of the extent to which wages meet such needs.

The main source of information for the 35 foreign countries is the responses received from American Embassies, Consulates, and Institutes abroad to a cable prepared by the Bureau of International Labor Affairs requesting for each country information on each of the five elements mentioned above.

This information has been supplemented, where appropriate, with information from reports of the U.S. Department of State, the U.S. Bureau of Labor Statistics, the International Labor Organization, and the World Bank as well as other sources of information.

Moreover, the Bureau of International Labor Affairs requested information for the study from the general public through a notice published in the *Federal Register*.[3] A listing of respondents to the Federal Register notice is provided in Appendix C. The information provided was incorporated in the study as appropriate.

This study collects and discusses publicly available information on wages (paid employment) for workers engaged in economic activities in the formal or "modern" sector of the countries examined (e.g., data reported in official government statistics). Thus, activities in the informal sector or income from casual work or self-employment are not examined. In many of the countries examined, the informal sector—that part of economic activity outside the official regulated economy—comprises a significant part of overall economic activity, but not necessarily a significant proportion of export-oriented economic activity. In most

[1] Table 1 includes the top-33 supplier countries in 1998 since the differences between countries in the end-range of the ranking are so small.

[2] Eight of the top-10 footwear supplier countries were also among the top-30 apparel supplier countries (China, Indonesia, Italy, Mexico, South Korea, Taiwan, Thailand, and the United Kingdom).

[3] *Federal Register*, Vol. 64, No. 125 (June 30, 1999), pp. 35182-35183.

cases, economic activities in the informal sector are outside national labor regulations and are either unreported or unrecorded in official national economic statistics. Informal activities may fall outside the scope of a nation's legal and statistical system (e.g., due to exclusions for family enterprises or for small scale enterprise) or may be clandestine operations which evade legal authorities by not complying with certain fiscal, tax, labor, health and safety, fire, or other government regulations. As such, workers in the informal sector have few labor protections and may be subject to exploitation by their employers.

Organization of the Study

The study is comprised of two parts and four appendixes. Part I defines the concepts being studied—minimum wage, prevailing or average wage, assessments of basic needs (the poverty line), and the extent to which wages meet such needs—and relevant measures. Part II is a compendium of country-specific information for each of the 35 countries under consideration and the United States on the minimum wage, prevailing or average wage, and non-wage benefits in the footwear and apparel industries; national and international poverty estimates; and available in-country information on the extent to which wages meet basic needs. Appendix A reproduces the key International Labor Organization (ILO) conventions and recommendations related to fixing minimum wages. Appendix B provides a survey of the literature and other sources of information on the extent to which workers' wages meet their needs, including an annotated bibliography of recent studies and information. Appendix C provides a listing of respondents to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999 issued in connection with this study. Appendix D provides a listing of key references and data sources for wages, benefits, and poverty statistics used in the compendium of country-specific information in Part II.

Table 1. Principal Sources of U.S. Imports of Apparel

(U.S. general imports, millions of U.S. dollars; all countries and the top-33 supplier countries in 1998)

Country	1995	1996	1997	1998
World	34,649	36,389	42,827	48,175
Mexico	2,566	3,560	5,050	6,494
Hong Kong	4,189	3,861	3,935	4,428
China	3,518	3,769	4,488	4,312
Dominican Republic	1,731	1,753	2,216	2,342
Taiwan	2,049	1,974	2,071	2,115
South Korea	1,622	1,381	1,518	1,891
Honduras	918	1,220	1,659	1,873
Philippines	1,540	1,503	1,597	1,745
Indonesia	1,183	1,326	1,596	1,659
Bangladesh	1,067	1,125	1,448	1,627
India	1,098	1,187	1,347	1,517
Thailand	1,037	1,049	1,257	1,452
Canada	770	948	1,204	1,421
Italy	967	1,149	1,226	1,348
Sri Lanka	928	1,007	1,204	1,308
El Salvador	582	721	1,052	1,171
Guatemala	682	796	962	1,136
Macau	757	760	930	1,018
Costa Rica	757	704	840	821
Turkey	630	579	672	781
Malaysia	675	648	650	717
Pakistan	550	561	618	674
Jamaica	531	505	472	422
Israel	306	298	286	361
Colombia	366	312	347	360
Cambodia	<0.5	2	99	359
Egypt	234	255	307	356
Singapore	424	326	288	307
United Arab Emirates	190	202	239	261
Mauritius	191	165	185	233
Nicaragua	74	142	182	232
United Kingdom	162	184	216	230
Peru	125	147	193	223

Note: Data represent the value of U.S. imports of apparel items subject to international agreements from all countries, whether or not their products are covered by a quota.
The top-33 country suppliers of apparel to the U.S. market accounted for 93.8 percent of all U.S. apparel imports in 1998 and 94.4 percent of all such imports in 1997. In 1997, France was the 33rd leading supplier (with U.S. apparel imports from France totaling US$166 million) and Cambodia was the 36th leading supplier.

Source: U.S. Department of Commerce, Office of Textiles and Apparel, *Major Shippers Report by Category* (March 11, 1999).

Table 2.   Principal Sources of U.S. Imports of Footwear

(U.S. imports for consumption, millions of U.S. dollars; all countries and the top-10 supplier countries in 1998)

Country and Footwear Type	1995	1996	1997	1998
World	11,587	12,172	13,371	13,339
Nonrubber	9,957	10,450	11,480	11,412
Rubber	1,630	1,722	1,892	1,926
China	5,721	6,251	7,229	7,904
Nonrubber	4,888	5,314	6,137	6,584
Rubber	832	937	1,092	1,320
Italy	1,003	1,186	1,184	1,158
Nonrubber	994	1,175	1,167	1,129
Rubber	9	11	16	29
Brazil	1,115	1,191	1,139	1,020
Nonrubber	1,113	1,186	1,134	1,005
Rubber	2	4	5	15
Indonesia	955	1,054	1,079	745
Nonrubber	714	750	761	575
Rubber	241	304	318	170
Spain	371	393	416	390
Nonrubber	364	390	411	378
Rubber	6	3	5	12
Thailand	389	331	379	342
Nonrubber	311	257	277	254
Rubber	78	74	102	85
Mexico	169	225	285	261
Nonrubber	123	178	234	201
Rubber	46	47	51	60
United Kingdom	116	149	236	231
Nonrubber	115	148	235	230
Rubber	(z)	(z)	(z)	(z)
South Korea	501	330	226	174
Nonrubber	268	177	149	136
Rubber	233	153	76	38
Taiwan	328	235	170	133
Nonrubber	248	164	132	110
Rubber	80	71	38	23

Note: (z) = less than US$500,000. Parts may not sum exactly to country totals due to rounding. The top-10 country suppliers of footwear accounted for 92.3 percent of all U.S. footwear imports in 1997 and 92.6 percent of all such imports in 1998.

Source: *Nonrubber Footwear Statistical Report, 1998*, Investigation No. 332-191, Publication 3174 (Washington: U.S. International Trade Commission, March 1999).

PART I

Wages, Benefits, Poverty Line, and Meeting Workers' Needs: Definitions and Measures

> Investigations about wages may have several distinct objects. One is, to find the rate of money wages actually paid. Another is, to compare it with the necessary expenses of living. A third is, to compare the laborer's share of product with that of the capitalist's. A fourth question, perhaps most important of all, is to find in what direction things are moving.
>
> ...Connecticut State Commissioner of Labor Statistics, 1885[1]

Introduction

In a wage economy, workers provide their services to an employer for a remuneration. The issue of a "fair" wage for one's labor, which is sufficient for a worker to provide for the needs of his/her family, has been debated for some time. Some countries have hortatory goals expressed in their constitutions which recognize the right of workers to a wage which provides a "decent" standard of living for his/her family. Concerns about protecting workers in low-pay occupations and other vulnerable groups (e.g., women, children, immigrants, and those without workplace representation) have led to the establishment of a floor (or minimum) on wage levels in many countries. This study focuses on the footwear and apparel industries in the United States and 35 major apparel and/or footwear exporting countries, and addresses several aspects related to these issues: the minimum wage; the prevailing or average wage; non-wage benefits; measures of workers' basic needs (the poverty line); and the extent to which wages meet such needs.

Minimum wages have been set and applied in most countries throughout the world. Minimum wage fixing systems adopted by countries differ according to their objectives and criteria, wage fixing machinery and

[1] Connecticut Bureau of Labor Statistics, *First Annual Report* (Hartford, CT: Lockwood & Brainard Co., 1885), cited in J.L. Norwood and D.P. Klein, "Developing Statistics to Meet Society's Needs," *Monthly Labor Review* (October 1989), p. 17.

procedures, coverage, and subsequent adjustment as well as the operation and enforcement of a minimum wage fixing system. Minimum wages are usually set by striking a balance between the needs of a worker and his/her family and what employers can afford or what economic conditions will permit. Information on prevailing (market or "going") wages in the apparel and footwear industries is often limited and not timely.

Assessments of the basic needs of a "standard" household in a country are often controversial and, if done, usually involve prescribing arbitrary criteria either for a food basket based on recommended daily calorie in-take requirements or for a broader market basket of goods and services, including food, which embodies the basic consumption needs ("basic needs") of a family, and evaluating the cost of such a market basket (the poverty line). Such a normative poverty threshold, which represents some minimum level of subsistence consumption or well-being for a person or household, normally reflects a shared societal consensus. In assessing the extent to which workers' wages meet their basic needs, there may be less of a societal consensus on how much is enough, especially with regard to what constitutes a "decent" standard of living.

Part I of this study examines in greater detail definitions and measures related to the minimum wage, prevailing wage, non-wage benefits, assessments of basic needs, and the extent to which wages meet such needs. Part II provides available information on these items for the 36 countries examined with special reference to the footwear and apparel industries in each country.

Minimum Wage

"While precursors go back to the Hammurabi Code 2000 B.C., the practice of minimum wage regulation is generally considered to have first developed in New Zealand [1896] and Australia [1904] around the turn of the century. Initially, it was used in these two countries as part of the procedure for the prevention and settlement of industrial disputes."[2] Subsequently, it began to be used to eliminate the payment of exceptionally low wages (so called "sweatshop" conditions). Other countries, such as Great Britain,[3] soon followed the lead of New Zealand and Australia in adopting minimum wage regulations to protect against unduly low wages, but in many cases these protections were limited to a few especially vulnerable groups of workers.[4]

In the United States, Massachusetts was the first state to pass a minimum wage law in 1912; however, it

---

[2] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 1.

[3] The United Kingdom, comprised of Great Britain (England, Scotland, and Wales) and Northern Ireland, replaced sectoral wage councils with a national minimum wage in April 1999.

[4] That is, groups of workers with little or no protection through regulations or collective agreements or with jobs with exceptionally low pay.

was not compulsory and only covered women and children.[5] By 1919, fourteen other states, the District of Columbia, and Puerto Rico had taken action to establish minimum wages, most of which were compulsory but applied only to women and children working in especially vulnerable occupations.[6] In 1938, the U.S. Congress passed the Fair Labor Standards Act, a main provision of which was the establishment of a national minimum wage.[7]

A significant development in the early history of minimum wage setting was the inclusion of a reference to minimum wages in the Political Constitution of the United States of Mexico, of 1917. Article 123, VI, of the Constitution states:[8]

> The minimum wage to be received by a worker shall be general or according to occupation. The former shall govern in the geographic areas that are determined; the latter shall be applicable to specified branches of economic activities or to special occupations, trades, or labor.
>
> The general minimum wage must be sufficient to satisfy the normal necessities of a head of the family in the material, social, and cultural order and to provide for the mandatory education of his children. The minimum occupational wage shall be fixed by also taking into consideration the conditions of different economic activities.
>
> The minimum wage is to be fixed by a national commission, composed of representatives of workers, employers, and the government, which may be assisted by special committees of consulate character, that may be considered indispensable in order to best carry out its functions.

This constitutional provision was the first of its kind anywhere explicitly to give responsibility to the state

---

[5] This law was a compromise in that it authorized a permanent minimum wage commission and subordinate tripartite wage boards, consisting of representatives from labor, employers, and government, to recommend minimum rates sufficient to cover the cost of living for women and children in various industries and occupations, but failed to provide enforcement except by publishing in the newspapers the names of employers who did not meet the standard. U.S. Department of Labor, *Growth of Labor Laws in the United States* (Washington: U.S. Government Printing Office, 1967), p. 72.

[6] The states and other entities, along with the dates of their first enactment of minimum wage legislation, were: Massachusetts in 1912; California, Colorado, Minnesota, Nebraska, Oregon, Washington, Wisconsin, and Utah in 1913; Arkansas and Kansas in 1915; Arizona in 1917; the District of Columbia in 1918; and North Dakota, Puerto Rico, and Texas in 1919 (Nebraska repealed it law in this year). See U.S. Department of Labor, *Growth of Labor Laws in the United States* (Washington: U.S. Government Printing Office, 1967), p. 93.

[7] For further information on the historical developments of the minimum wage in the United States, see Willis J. Nordlund, "A Brief History of the Fair Labor Standards Act," *Labor Law Journal* (November 1988), pp. 715-728.

[8] English translation from Nestor de Buen Lozano and Carlos E. Buen Unna, *A Primer on Mexican Labor Law* (Washington: U.S. Department of Labor, Bureau of International Labor Affairs, 1991), p. 41. For the original Spanish language version, see Alberto Trueba Urbina and Jorge Trueba Barrera, *Ley Federal del Trabajo: Comentarios, Prontuario, Jurisprudencia y Bibliografía*, 59a edicion actualizada (México, DF: Editorial Porrúa, SA, 1989), p. 5.

for ensuring minimum standards of living.[9] Thirty years later, Article 43 of the Constitution of India, adopted in November 1949, set the goal of a "living wage" for all workers in India:[10]

> The state shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life, and full enjoyment of leisure and social and cultural opportunities in particular.

In general, national constitutional provisions concerning the minimum wage are either limited to including it among the rights of workers (e.g., Argentina, Bulgaria, Colombia, Guatemala, Panama, and Portugal) or to providing, in addition, a way in which the minimum wage should be fixed (e.g., Brazil, Honduras, Mexico, and Yugoslavia).[11]

The International Labor Organization (ILO), created in 1919 through the Treaty of Versailles, has been concerned since its inception about the provision of a wage that would give a worker a "reasonable standard of life as this is understood in their time and country," and recognized in the Preamble of its Constitution that there was an urgent need to improve conditions of work, inter alia by the "provision of an adequate living wage."[12]

In 1928, the ILO adopted its first convention and recommendation regarding minimum wages, Convention No. 26: Minimum Wage-Fixing Machinery Convention, which concerns minimum wage-fixing for trades in manufacturing and commerce, and Recommendation No. 30, which addresses issues raised by this convention. Convention No. 26 came into force on June 14, 1930.[13] Subsequently, Convention No. 99: Minimum Wage Fixing Machinery (Agriculture) Convention, which concerns minimum wage-fixing in agriculture, and its Recommendation No. 89 were adopted in 1951, and Convention No. 131: Minimum Wage Fixing Convention, which addresses minimum wage-fixing with special reference to developing

---

[9] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 3.

[10] Cited in Shanta A. Vaidya, *Minimum Wages in India: Concepts and Practices* (Bombay: Maniben Kara Institute/Nagindas Chambers, 1989), p. 5.

[11] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 103.

[12] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 4. See Appendix A for the complete text of the Preamble of the ILO Constitution. For references to earlier usage of the term "living wage," see Appendix B.

[13] The normal implementation procedure for ILO conventions is that they are considered at a General Conference meeting convened by the Governing Body, and, if adopted, go into effect (come into force) on a stated date after ratification by at least two member states (usually 12 months after ratification by two countries), e.g., see Article 7 of Conventions No. 26 and No. 99, and Article 8 of Convention No. 131, which are reproduced in Appendix A on this report.

countries, and its Recommendation No. 135 were adopted in 1970. The complete texts of each of the above ILO conventions and recommendations are contained in Appendix A.

Other international and regional bodies also have been concerned about wages. The United Nations has addressed them in its Universal Declaration of Human Rights[14] and in its International Covenant on Economic, Social and Cultural Rights,[15] among others. The issue of a minimum wage was also addressed in the American Declaration of the Rights and Duties of Man,[16] the African Charter on Human and Peoples' Rights,[17] and the European Social Charter.[18] Thus, a number of international bodies make reference to the right of workers to expect that the compensation from their labor will provide an adequate standard of living.

Definition

---

[14] Article 23, paragraph 3, of the Declaration states that "Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection;" and Article 25, paragraph 1 states that "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control." *Universal Declaration of Human Rights,* adopted and proclaimed by General Assembly resolution 217 A (III) of 10 December 1948. See Centre for Human Rights—Geneva, *Human Rights: A Compilation of International Instruments* (New York: United Nations, 1988), pp. 5-6.

[15] Article 7 of the Covenant makes provision for the right to "remuneration which provides all workers, as a minimum, with ... a decent living for themselves and their families in accordance with provisions of the present Covenant." See International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992) , para. 13.

[16] Article XIV of the Declaration provides that "Every person who works has the right to receive such remuneration as will, in proportion to his capacity and skill, assure him a standard of living suitable for himself and for his family." Approved by the Ninth International Conference of American States in 1948. See International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 14.

[17] Article 15 of the Charter establishes the right every individual to work under equitable and satisfactory conditions and to receive equal pay for equal work. Adopted by the 18th Assembly of Heads of States and Government in 1981. See International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 14.

[18] Part I, paragraph 4, and Article 4, paragraph 1, of the Charter states that the Contracting Parties accept as the aim of their policy, to be pursued by all appropriate means, the attainment of conditions propitious to the effective realization of a number rights and principles, including the right of all workers to a fair remuneration sufficient for a decent standard of living for themselves and their families. Adopted in 1961 and in force since February 26, 1965. See International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 14.

A wage is the amount paid by an employer to a worker by virtue of an employment agreement for work done (or to be done) or services provided (or to be provided).[19] A worker's wage or pay is for work performed or services provided during some specified period of time (e.g., hour, day, month, or year), such as straight-time hourly wage or an annual salary. A worker's earnings usually reflect pay for time worked as well as for time not worked (e.g., paid leave or holidays). Rates of pay may vary by region and occupation or industry as well as by sex, age, race or ethnicity, experience, skill level, and union status. Other factors affecting pay rates are the nature of the employment relationship and whether a worker is permanent or temporary, full-time or part-time.

Workers—especially in manufacturing—are often classified as either production or non-production workers. Production workers (also known as manual or blue-collar workers) generally include those employees who are engaged in fabricating, assembly, and related activities; material handling, warehousing, and shipping; maintenance and repair; janitorial and guard services; auxiliary production (e.g., powerplants); and other services closely related to the above activities. Working supervisors are generally included; apprentices and trainees are generally excluded. Non-production workers include managerial, supervisory, technical, and support staff not directly involved in the production process. Production workers are usually paid at a hourly or daily rate, while non-production workers are usually salaried employees paid at a fixed monthly or annual rate.

Gross pay or total earnings (i.e., before any employer deductions for taxes, employee contributions to social security or pension schemes, insurance premiums, union dues, or other obligations of employees) usually include, where applicable, premium pay (e.g., overtime payments, shift differentials, and weekend and holiday pay) and incentive pay (e.g., production bonuses, cost-of-living allowances, commissions, and hazard pay).

A definition of the minimum wage used by the ILO is "the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions."[20]

According to this definition, the minimum wage covers only payments for basic time worked or piece rates

[19] This discussion of wage definitions and concepts draws upon the technical notes included with the Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing* (Washington: U.S. Department of Labor, September 16, 1998) and the International Labour Organisation, *Yearbook of Labour Statistics, 1998, Sources and Methods Volume 2, Employment, Wages, Hours of Work and Labour Costs* (Geneva: International Labour Office, 1998), as well as the Bureau of Labor Statistics, *Glossary of Compensation Terms*, Report 923 (Washington: U.S. Department of Labor, August 1998).

[20] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 42.

and does not include bonuses or other benefits (in cash or in kind) payable directly or indirectly by the employer to the worker for work done. The notion of a minimum wage links two concepts: (1) a wage—remuneration for work done or services provided; and (2) a minimum—a level which may not be undercut and whose application is guaranteed. Thus, the concept of a minimum wage is linked to work and distinct from broader notions of social protection concerning a level of income necessary to achieve minimum living conditions regardless of whether one is employed (e.g., income support in situations arising out of unemployment, underemployment, or poverty).

ILO Conventions No. 26 and No. 99 address the creation or maintenance of methods or machinery for fixing minimum wages—as well as their effective regulation—in industry or in certain trades (No. 26) and in agricultural undertakings (No. 99) to prevent the payment of very low wages in those endeavors. Recommendations No. 30 and No. 89, which accompany the two conventions, both envision that in fixing minimum wage rates, the wage-fixing body should take into account the necessity of enabling the workers concerned to maintain a suitable standard of living (Recommendation No. 30, Part III, and Recommendation No. 89, Part I, Paragraph 1).

Some of the reasons given by the ILO for establishing a minimum wage are:[21]

- to provide protection for a small number of low-wage workers who are considered to be in an especially vulnerable position in the labor market;
- to ensure payment of "fair" wages;[22]
- to provide a basic floor for the wage structure and reduce poverty by providing all or almost all workers with "safety net" protection against unduly low wages; and
- as an instrument of macroeconomic policy to achieve broad national goals such as economic stability and growth and improved the distribution of income.

The notion of a minimum wage which may not be reduced has been conceptualized by some as a "minimum living wage" to the extent that a minimum wage setting system is portrayed as a means of guaranteeing workers a minimum level of earnings to meet their basic needs or obtain some basic minimum standard of

[21] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), pp. 17-18.

[22] The underlying concern here is the belief that in certain, or even in most, industries a collective process for establishing wage standards is likely to produce more acceptable wage levels and structures than if wage determination is left to unregulated labor market pressures and decisions of individual enterprises. See Starr, *Minimum Wage Fixing*, pp. 24ff.

living, which is compatible with human dignity, for themselves (and, in some cases, their families).[23]

A 1967 ILO meeting of experts stated: "the minimum wage is the wage considered sufficient to satisfy the vital necessities of food, clothing, housing, education and recreation of the worker, taking into account the economic and cultural development of each country. In some cases the needs of the family are also taken into account in the same manner as those of the worker, and in other cases they are covered by family allowances and other measures of social security."[24]

This principle is repeated in Article 3 of ILO Convention No. 131 which specifies factors to be taken into consideration in determining the level of minimum wages. In addition to taking account of "the needs of workers and their families," Article 3(a) of the Convention suggests that the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups should be taken into account, in so far as possible, as well as economic factors (Article 3(b)) such as the requirements of economic development, levels of productivity, and the attaining and maintaining a high level of employment. Thus, Convention No. 131 stipulates that social criteria (such as the needs of workers and their families) should be considered in conjunction with certain economic conditions in determining the level of minimum wages. In addition, Recommendation No. 135, which accompanies the convention, states that "Minimum wage rates should be adjusted from time to time to take account of changes in the cost of living and other economic conditions" (Part V, Paragraph 11), and that "To this end a review might be carried out of minimum wage rates in relation to the cost of living and other economic conditions, either at regular intervals or whenever such a review is considered appropriate in light of variations in a cost-of-living index" (Part V, Paragraph 12).

In the preparatory work leading up to the adoption of Convention No. 131, the ILO's analysis of government responses to a questionnaire concerning the criteria to be used in setting minimum wage levels revealed that while it was necessary to consider the "needs of workers and their families as a basic, or the basic, purpose of minimum wage fixing ... It would seem, however, appropriate at the same time to recall that minimum wage fixing alone cannot suffice for the overcoming of poverty and the satisfaction of the minimum needs of all workers, ... and that minimum wage fixing should form part of a comprehensive policy aimed at promoting a better life for the masses of the people."[25]

---

[23] International Labour Organization, *Minimum Wages: Wage fixing machinery, application, and supervision* (Geneva: International Labour Office, 1992), para. 33. Also, recall the hortatory language in the international declarations and the Mexican Constitution regarding minimum wages which was cited above.

[24] International Labour Organization, *Minimum Wages: Wage fixing machinery, application, and supervision* (Geneva: International Labour Office, 1992), para. 35 citing International Labour Organization, *Report of the Meeting of Experts of 1967* (Geneva: International Labour Office, 1967), para. 100.

[25] International Labour Organization, *Minimum Wages: Wage fixing machinery, application, and supervision* (Geneva: International Labour Office, 1992), para. 33 citing International Labour Organization, *Minimum wage fixing machinery and related problems, with special reference to developing countries*, Report VII(2), International Labour Conference, 53rd Session (Geneva: International Labour Office, 1969), p. 111.

The ILO has provided some guidance to countries in establishing and adjusting a minimum wage. Minimum wages may be established either by fixing a single minimum wage of general application or by fixing a series of minimum wages that apply to certain groups of workers. Minimum wages may be set in three basic ways, or in a combination of these: (1) legislatively—by means of a statute, regulation, ordinance, decree, etc.; (2) administratively—by a competent authority; a wage committee, council, or board; industrial labor court or tribunal; or an arbitration award, where trade unions and employer federations may also be consulted; or (3) contractually—by collective agreements. Minimum wages may be increased automatically or provisions may be made for their periodic review.[26]

Collective bargaining agreements are considered a wage-fixing machinery when they have been given the force of law as regards to clauses that set minimum wages. Minimum wages set by collective bargaining may coexist with those set by a legislative or administrative authority. In some cases, collective bargaining agreements do not require a formal act of "extension" to become binding and labor law may provide the force of such provisions.[27]

Minimum wages are often considered to apply to all workers in a given country. However, minimum wage legislation may exclude certain groups or categories of persons (such as domestic workers or homeworkers) or industries (e.g., agriculture or fishing). In some cases, persons employed in small establishments (based on employment size or the firm's capitalization or sales volume) or engaged in informal activities may not be covered by minimum wage legislation. Minimum wages may be set by region, area, or zone; by branch of economic activity; or by occupational category. They may vary based on gender, age, or seniority. In some countries, lower rates are set for trainees, apprentices, and the disabled.[28] In order to achieve more complete coverage, some countries have introduced general minimum wages either as a complement or a replacement for industry minimum wages fixed by wages councils or boards.[29]

The ILO has suggested three essential elements for the adequate and appropriate enforcement of minimum wage provisions: (1) providing information to workers and employers on the minimum wage rates fixed; (2) establishment of effective forms of sanctions to remedy and prevent infringements of the rates established; and (3) the establishment of appropriate supervision of what actually takes place in the trade

---

[26] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 111.

[27] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), paras. 147-151.

[28] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), paras. 107-110.

[29] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 22.

concerned.[30] In a particular country, these elements may be implemented in different ways using different strategies, and the scope of such enforcement efforts may depend critically upon resources devoted to such activities as well as the political will or public support to promote such efforts.

Measures

A recent ILO study notes: "A system of minimum wages, whatever its form, cannot work unless it is based on regular, reliable and timely statistics on a variety of data items, including income, wages, prices and the characteristics of wage-earners (sex, occupation, skill level, etc.)."[31]

Six factors to be taken into account in determining minimum wages are set forth in Recommendation No. 135: (1) the needs of workers and their families; (2) the general level of wages in the country; (3) the cost of living and changes therein; (4) social security benefits; (5) the relative living standards of other social groups; and (6) economic factors, including the requirement of economic development, levels of productivity, levels of employment, and the capacity to pay.

The mentioned ILO study suggests statistics needed to quantify the six criteria and how they might be provided by a national system of labor statistics.

1) The Needs of Workers and their Families

Given an agreed definition and minimum threshold of basic needs for an individual or a family (i.e., a poverty line), assessments of the adequacy of a minimum wage to meet the needs of households (especially wage-earner households) can be derived from the following data sources or elements: (a) average expenditure by low-income households on various goods and services; (b) information on household size and composition, with particular emphasis on low-income households; (c) current wages paid to unskilled workers; (d) income distributions of wage-earner households; and (e) average income levels of wage-earner households. Since households with income primarily from low-wage unskilled work are most likely to benefit from minimum wage legislation, attention is usually focused on this group. Relevant statistics usually can be derived from household income and expenditure surveys, administrative records (income tax, social security, or wage inspection), or household surveys and population censuses.

2) The General Level of Wages in the Country

The general level of wages in a country is often measured by statistics on average wages by industry, sex,

[30] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 342.

[31] Robert J. Pember and Marie-Thérèse Dupré, "Statistical aspects of minimum wage determination," *Bulletin of Labour Statistics*, No. 3 (1997), p. 1. This section on measures is based upon the findings presented in this ILO study.

occupation, and location. Statistics on current wages for unskilled workers may be useful in assessing the "adequacy" of wages and the "need" for minimum wages, if the definitions of adequacy and need are clear and widely accepted within a country. In periodically adjusting minimum wages, reference is often made to average wages with a view of maintaining a particular ratio between the minimum wage and general wage levels. Since wage rates vary by establishment and there is rarely a single prevailing wage, wage data are best collected from establishment surveys or censuses, which usually are based upon business records, supplemented with information from household surveys and labor inspection reports.

3) Cost of Living and Changes Therein

Measures of changes in the cost of living (aggregate value of a particular basket of household goods and services) are more common than absolute measures of the level itself. Some countries compile regular reports of average prices for a selected range of goods and services which may be a useful input into minimum wage determinations as would average expenditure by specific household type. Changes in price level are usually measured by a consumer price index. Many countries compile a special consumer price index designed to capture price levels affecting the welfare and basic needs of low-income wage-earning households which may be more useful than a more general consumer price index in adjusting minimum wages levels. Over time, the composition of the basket of goods and services used to compile the consumer price index will need to be reviewed and updated.

4) Social Security Benefits

Access to social security benefits and other measures to alleviate poverty is an important consideration in determining minimum wages. Useful statistical information includes the average benefits paid to beneficiaries and the distribution of benefits paid, ideally cross-classified with information on the characteristics of the beneficiaries (sex, age, disability status, employment status, etc.) which can be used to distinguish the disabled, elderly, and other beneficiaries from those who receive the minimum wage safety net. These data can usually be obtained from social security administrative records, supplemented by household survey information.

5) Relative Living Standards of Other Social Groups

Measures of relative living standards are usually based on: (a) average income and income distributions of different social groups; (b) average expenditure (total and on different baskets of goods and services) of different social groups; and (c) other measures of living standards such as average number of rooms in a dwelling, proportion of households renting accommodations, average number of household members per room, type of material of walls or roof, proportion of household members with post-primary education, etc. The definition of "social group" as well as "household" will vary by country. Measures of living standards are best provided by household income and expenditure surveys, supplemented by other household surveys and administrative records.

6) Economic Factors

Economic factors to be considered in setting minimum wages include the requirements of economic development, levels of productivity, the level of employment, and employers' capacity to pay. Some relevant economic measures of development that are available from the national accounts statistics of most countries include: (a) changes in gross domestic product (GDP) per capita at constant prices; (b) changes in the proportion of GDP contributed by agriculture, manufacturing, and services sectors; (c) changes in the value of industrial production at constant prices; and (d) changes in the value of foreign trade at constant prices.

Social measures of economic development available in most population censuses and surveys include: (a) changes in the proportion of children attending school; (b) changes in the literacy rate; (c) changes in the number of hospitals and schools per capita; and (d) changes in the accessibility of selected community facilities (piped water, markets, schools, hospitals, postal services, fire services, police services).

Measures of economic activity that might be considered include: (a) changes in the unemployment rate; and (b) changes in the percentage of persons employed in agriculture, manufacturing, and services sectors. Labor productivity measures are less widely available, particularly reliable measures of changes in real terms of the value-added per employee and output per employee by industry and region, which may be important since national figures may obscure industrial and regional differences and be misleading for the purposes of setting minimum wages.

Economic factors influence an employer's capacity to pay a specified minimum wage and depend, in part, on (a) other payments such as other labor costs (including employer's social security expenditures and other non-wage costs related to employment of labor); (b) payments to other factors of production (profits, rate of return on investment, etc.); and (c) the effects on the selling price of the product produced and on subsequent sales. An employer's capacity to pay may also vary greatly by size of establishment and capitalization. Labor cost surveys offer a major source of information on these matters.

Prevailing or Average Wage

Definition

The term "prevailing wage" has been interpreted in a variety of ways, such as the "going rate" or the average level of wages paid by employers for specific occupations in a community or area. In some cases, it may refer more broadly to the rate paid to most workers or the rate established by trade union contracts.[32] In most cases, the prevailing or average wage is greater than, or equal to, the minimum wage

[32] Bureau of Labor Statistics, *Glossary of Compensation Terms*, Report 923 (Washington: U.S. Department of Labor, August 1998), p. 51.

(if one has be set). However, local labor market and economic conditions, the wage setting mechanism, location, job tenure, size of firm, a firm's level of capitalization and technology, and the mix of skills necessary for particular occupations, among other things, may affect the wage rate prevailing in a particular area or country. By construction, an average wage rate represents a center or middle rate around which actual wages lie; the quality of this measure as being representative of a worker in a group will depend on the dispersion or spread of actual wage rates around the average rate, which is likely to be larger the greater the skill/tenure spread or the production/supervisory worker mix of the representative worker group.

In the United States, "prevailing wage" also has a statutory definition. Under the Davis-Bacon Act of 1931, as amended, and other statutes, there are provisions that workers engaged in construction activity under contracts with, financed by, or with the assistance of the federal government or the District of Columbia, be paid not less than the wage rates and fringe benefits prevailing for the corresponding classes of workers employed on projects similar to the contract work in local areas where such work is performed. If the same wage is not paid to more than 50 percent of the workers with the same job classification, the prevailing wage is calculated as the average of wages paid, weighted by the total employed in the classification.[33]

Measures

Most countries conduct periodic economic surveys of establishments or households which gather information on employment and earnings. In some cases, official estimates of earnings are made based on administrative records or special surveys. Surveys or censuses of establishments (which are usually legally required to be accountable for tax purposes and maintain a certain level of record keeping) based on payroll statistics tend to more accurately reflect compensation than surveys of households (where respondents may not recall or under report). Measures collected and reported may take on a national character and not conform to international concepts, so international comparisons should be done with care.

Basic wage and earnings statistics which are available in many countries include: average hourly earnings at a business establishment (payroll data); occupational wages by industry and geographic area; and employment cost (compensation). Care also needs to be exercised in interpreting average measures at a high level of aggregation, since these may conceal important differences across regions or across industrial or economic sectors of an economy.

A major source of wage data is the International Labor Organization (ILO), which receives wage data from

---

[33] See National Archives and Records Administration, *Code of Federal Regulations*, Labor, Title 29, Parts 1.1 and 1.2 (Washington: U.S. Government Printing Office, July 1, 1998), pp. 10-11; see also U.S. Department of Labor, *Growth of Labor Laws in the United States* (Washington: U.S. Government Printing Office, 1967), p. 117-120.

its member countries.[34] The wage data submitted to the ILO usually cover gross hourly or monthly pay for all employees or for production workers. In some cases, prevailing or average wage data for the apparel and footwear industries are not available for a country.

Hours of work per day and the standard workweek are also important factors which will affect earnings of hourly workers as will the amount of overtime and the rate at which that time is paid. The intensity of the work effort may vary by industry or occupation. In some industries, such as apparel, work intensity tends to be seasonal, with periods of slack and periods of peak demand with substantial overtime or round-the-clock production.

To evaluate the purchasing power of earnings over a period of time, wages are usually adjusted for inflation using a national or regional consumer price index (CPI) number to obtain real earnings measures. Conversion of foreign wage rates or earnings to U.S. dollar figures using market exchange rates permits wage or earnings comparisons, but do not reflect relative level of well-being which would require comparisons based on purchasing power parity measures.

The quality of any reported wage data will depend upon the quality of the underlying survey instrument and be subject to limitations in scope, frequency, and coverage as well as being subject to sampling and non-sampling biases.

Non-Wage Benefits

Non-wage benefits provided to employees in many cases represent a substantial portion of their total compensation. Monetary benefits provide additional direct-income, or income in lieu of work, while non-monetary (in-kind or subsidized) benefits reduce workers' daily expenses and costs incurred by working. Some non-wage benefits are realized immediately by workers, while others may be deferred or never actually realized. Non-wage benefits are often used by employers in tight labor market situations to attract and keep workers (especially low-pay workers) rather than increasing wages, but may be withdrawn once market conditions loosen. While the provision of non-wage benefits poses immediate costs to the employer, it is not clear that these costs necessarily reflect the present value of non-wage benefits actually realized by the employee.

Definition[35]

[34] International Labour Organisation, *Yearbook of Labour Statistics, 1998, Sources and Methods Volume 2, Employment, Wages, Hours of Work and Labour Costs* (Geneva: International Labour Office, 1998); annual publication.

[35] This section is based upon Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), which is issued biennially and describes the principal features of different national social security systems.

Non-wage benefits augment income and may include: pay for time not worked (e.g., vacations, public holidays, and sick leave); supplementary pay (e.g., profit-sharing, year-end, attendance, or other nonproduction bonuses); deferred retirement income (e.g., defined benefit or defined contribution plans); insurance (e.g., life, health, and disability insurance); social insurance benefits (e.g., social security, health care, severance pay or unemployment insurance, and workers' compensation); employee training; and plant facilities and services (e.g., cafeteria, medical clinic, day care center, recreation center, or housing).

Some non-wage benefits, such as social insurance and retirement benefits, are usually government-mandated. However, other non-wage benefits may not be required by law, such as those negotiated by labor unions in collective bargaining agreements, or those that may be the practice of the company or industry itself, such as providing health or dental insurance or maternity leave (which may or may not be a "mandated benefit" in some countries), life insurance, transportation, subsidized meals, child care and recreational facilities, or worker training programs. In addition, there may be privately financed (employer-employee) benefits arrangements, which are available as alternatives to statutory programs, that may or may not be mandatory in some countries.

The term "social security" refers to programs established by statute that insure individuals against interruption or loss of earning power, and for certain special expenditures arising from marriage, birth, or death. Allowances to families for the maintenance of children are also included in this definition. Social security programs may encompass the following types of coverage: old age, disability, and death (income support); sickness and maternity (medical and hospital services); work injury (disability income support); unemployment (income support); and family allowances (cash payments and social services; federal tax credits or relief).

Income maintenance programs that provide cash benefits are usually provided in three basic ways: employment-related (based on length of employment and level of earnings at the time of contingency), universal (flat-rate cash benefits), and means-tested systems (limited to needy or low-income applicants). Under the first two, the insured can claim benefits as a matter of right, while means-tested benefits are based on a comparison of a person's income or resources against a standard usually based on subsistence needs. Employment-related systems for unemployment, sickness, maternity, or work injury are financed by employers, workers, or both, and are, in most instances, compulsory for defined categories of workers and their employers and often are referred to as social insurance systems.

Three other types of programs may also be in place in some countries:

- *Mandatory private insurance programs*, which may substitute for or complement social insurance systems, are funded with mandatory contributions from the employer, or a combination of employee and employer contributions to the employee's individual account. The employee must pay an administrative fee for the account and purchase a separate policy for disability and survivor's insurance.

- *Provident funds*, which are publicly operated and exist primarily in developing nations, are essentially compulsory savings programs in which the employee's regular and voluntary contributions are withheld from their pay and in some cases are matched by their employers. The funds are set aside for each employee in a special fund for later repayment to the worker, usually in a lump sum with accrued interest. Sometimes the beneficiary can opt for a pension, or the pension is provided to the survivors.

- *Employer-liability systems*, where affected employers are required, usually through a labor code, to provide specific benefits, such as a lump sum to the aged or disabled; provision of medical care, paid sick leave, or both; payment of maternity benefits or family allowances; provision of temporary or long-term cash benefits and medical care in case of a work injury; or payment of severance indemnities in the case of dismissal. This approach does not involve the pooling of risk, since the liability is placed directly on each employer. Employers, therefore, tend to insure themselves against this liability and some laws make this compulsory.

In addition to employer provided and financed non-wage benefits, the government in many countries provides low-income families direct assistance through tax credits, subsidies, and other income transfers (e.g., earned income tax credit and other tax relief, food stamps, family allowances; etc.).

Measures

Most measures of benefit costs come from estimates produced in the computation of compensation or labor costs from business records of a company or from the records of offices that administer the benefit programs. Total compensation costs (and more broadly, labor costs) refer to the costs incurred by the employer in the employment of labor (fully loaded wages) and include the entire range of wages and benefits that a worker receives (both current and deferred) as the result of their employment.

In the United States, hourly compensation costs are defined by the U.S. Bureau of Labor Statistics (BLS) as hourly direct gross pay plus employer social insurance expenditures and other labor taxes. Hourly direct gross pay includes all payments made directly to the worker, before payroll deductions of any kind, consisting of pay for time worked (basic time and piece rates plus overtime premiums, shift differentials, other premiums and bonuses paid regularly each pay period, and cost-of-living adjustments), and other direct pay (pay for time not worked, such as vacations, holidays and other leave, except sick leave; seasonal or irregular bonuses and other special payments; selected social allowances; and the cost of payments in kind). Employer social insurance expenditures and other labor taxes include: employer expenditures for legally required insurance programs and contractual and private benefit plans (retirement and disability pensions, health insurance, income guarantee insurance and sick leave, life and accident insurance, occupational injury and illness compensation, unemployment insurance, and family allowances), and, for some countries, certain labor taxes (e.g., taxes on payrolls or employment).[36]

The BLS definition of hourly compensation costs is less comprehensive than the one used by the ILO in its definition of total labor costs, which includes, in addition, the costs of recruitment, employee training, and plant facilities and services (such as cafeterias and medical clinics). The labor costs not included in the BLS estimates of hourly compensation costs account for no more than 4 percent of total labor costs in any country for which data are available.[37]

Assessing Basic Needs: The Poverty Line

Assessing the basic needs of a household or an individual requires: the development of an indicator of well-being or welfare, which typically is based on per capita calorie in-take or real per capita consumption expenditures; setting a normative threshold (a poverty line) that represents a widely accepted minimal level of well-being for a household or person; and a measure to assess poverty across the population, which is consistent and representative. Adjustments and refinements may need to be made as the level of economic development changes and the population gains access to a broader set of goods and services. Disagreements are likely to arise as to how the poverty measure is defined and how the normative threshold is set—often, it is based on the cost of either a subsistence food basket or a market basket of essential goods and services (food, clothing, shelter, and, perhaps, some other items) reflecting "basic needs." Thresholds are usually set in terms of income levels required to purchase goods and services related to basic needs, which raises the question of how income is defined and measured.

Definition

Poverty is a multifaceted notion which may be viewed from different aspects and dimensions. Most definitions of poverty fall into one of three categories: (1) *absolute*—having less than some defined minimum; (2) *relative*—having less than others in the same society; and (3) *subjective*—individuals' feeling or perception that they do not have enough to get along.[38]

The *poverty line* is usually defined as the level of some criterion measure below which a person is

---

[36] In some countries, social insurance and unemployment insurance programs are financed through general tax revenues rather than employment taxes placed on the employer.

[37] Bureau of Labor Statistics, U.S. Department of Labor, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing* (September 16, 1998), p. 10.

[38] Aldi Hagenaars and Klaas de Vos, "The Definition and Measurement of Poverty," *Journal of Human Resources*, Vol. XXIII, No. 2 (Spring 1988), pp. 211-221. For other general surveys of poverty definitions and measures, see Rolph van der Hoeven and Richard Anker (eds.), *Poverty Monitoring: An International Concern* (New York, St. Martin's Press, 1994) and Paul Streeten, "Beyond the Six Veils: Conceptualizing and Measuring Poverty," *Journal of International Affairs*, Vol. 52, No. 1 (Fall 1998), pp. 1-31.

considered "poor." The *headcount* is the number of persons below the poverty line; sometimes, it is expressed as the percentage of the population below the poverty line. The *poverty gap* measures how far a person or household is below the poverty line. The extent of poverty is clearly influenced by the choice (absolute, relative, or subjective) of the poverty line.

An absolute poverty line is commonly drawn based on the level of expenditure (or income, consumption, budget, etc.) required to meet some minimum food and other essential non-food needs; if a person's (or family unit's) income falls below this level, the person or family unit are considered poor. There is often widespread disagreement on the definition of the minimum standard of living and the identification of quantifiable measures (such as per capita income or per capita consumption and the cost of minimum basic commodities) and other essentials (such as calorie intake, housing costs, transportation costs, education costs) which are needed in order to set the poverty line for a given country. Further, these notions vary within and across countries and may depend on a variety of social, cultural, institutional, political, economic, climatic, or development factors.

Relative poverty refers to the position of an individual or household compared to some average income measure for the country. In this case, a poverty line might be set at one-half of the mean per capita income, 50 percent of median adjusted disposable personal income,[39] or at the 40th percentile of the nation's income distribution. Relative poverty lines will vary with the level of average (or median) per capita income, the shape of the distribution of income, and overall economic conditions and are used primarily by developed countries that are more concerned about the distribution of income than its absolute level. Notions of absolute poverty, where the poverty line does not vary, may be more relevant for lower-income developing countries.

Subjective poverty usually involves a broader notion of poverty and deprivation than might be captured in more quantitative measures of absolute or relative poverty based on income or consumption measures and attempts to capture the interactions of social, cultural, political, and economic factors (e.g., vulnerability, isolation, powerlessness, survival, personal dignity, security, self respect, housing quality, basic needs, nutritional status, access to services, and ownership of assets).[40] Subjective poverty assessments, usually based on open-ended interactive interviews, attempt to measure qualitatively the respondent's feelings about deprivation or the individual self-assessment about their situation. This approach usually attempts to take into consideration the conditions, priorities, and situations of those under study, typically a community or region of a country. These assessments, while more comprehensive in scope, are based on smaller and less representative sample sizes and may be less costly and more timely than more quantitative

---

[39] This is the standard used by the European Union (EU) and the Organization for Economic Cooperation and Development (OECD).

[40] Soniya Carvalho and Howard White, *Combining the Quantitative and Qualitative Approaches to Poverty Measurement and Analysis: The Practice and the Potential*, World Bank Technical Paper No. 366 (Washington: World Bank, 1997), pp. 4-5.

assessments based on national censuses or surveys which use probability sampling methods. The poverty line set under this definition uses some indices of living standards or self-assessments based on a wide range of non-income measures.

Measures

The kind of poverty definition chosen determines the type of measure. Several general issues related to poverty measurement are discussed before specific measures are presented.

In determining the poverty line, consumption measures are generally preferred over income measures, because they more accurately measure deprivation. Also, consumption can be more accurately measured for households that may have diverse sources of income (some of these may be unmeasured, unreported, or under-reported income from informal activities) and for which the net income from several activities may not be known. In addition, income may fluctuate widely from period to period, whereas consumption tends to be smoother. In most cases, the consumption of leisure is not taken into account, despite the fact that the quantity and quality of leisure can be a major benefit of socio-economic advance. Similarly, savings and consumption of own-production are often not accounted for.

Despite the preference for consumption measures, most poverty measures ultimately arrive at a poverty line based on some measure of income. Since average income or average consumption conceal differences, measures need to be stratified by other characteristics which look behind income.

Households differ in size, composition, and location (urban/rural), so a simple comparison of aggregate household consumption can be quite misleading about the well-being of individual members of a given household. However, measures can be stated in terms of per adult equivalent, i.e., for a household of any given size and demographic composition (such as one male adult, one female adult, and two children) and an equivalence scale developed that measures the number of adult males (typically) which that household is deemed to equivalent to. Separate regional or urban and rural measures may be more revealing than a composite national average.

The amount of time a person or household spends in poverty may be relevant so that dynamic considerations and points in the life cycle may add useful information. Other dynamic factors which influence the setting of poverty lines include the fact that the poverty thresholds may change as income increases, the choice set of an individual expands and changes with improvements in the level of development, and that prices of goods and services, and their availability, and the purchasing power of various groups in society will also change over time. Additional non-income related considerations include holdings of assets and land, education, access to services and transportation, health related (life expectancy, nutritional intake), and discretionary spending.

Hagenaars and de Vos describe a variety of poverty measures, based on the absolute, relative, and subjective definitions of poverty.[41] Often the measures use some combination or variation of the methods described below.

1) Absolute Measures

(a) Basic Needs

This method usually determines minimum requirements (generally based on "how much is too little" rather than "how much is enough") to meet "basic needs" (e.g., food, clothing, and housing) and the income necessary to purchase them.[42] While adjustments may be made for household composition and size, there is no consensus on what and how much are needed for "basic needs." Despite (or because of it) a nation's technological and social advancement, there is no generally accepted standard of adequacy for the essentials of living except for food.[43] It becomes more difficult to reach a consensus on a poverty line when it is set above the level of mere survival (e.g., a subsistence level based on critical food needs). The measurement problems are compounded once a country passes the stage of the struggle for sheer survival; yesterday's luxuries become tomorrow's necessities. As with any absolute measure, measurement difficulties increase if the measure is used over time, since economic and social conditions and living arrangements, among other things, change. In the United States, while not incorporated into the official poverty measure, the U.S. Census Bureau has measured households' difficulties in meeting basic needs such as having enough to eat, meeting essential expenses, paying full utility bills, paying full rent or mortgage,

---

[41] Aldi Hagenaars and Klaas de Vos, "The Definition and Measurement of Poverty," *Journal of Human Resources*, Vol. XXIII, No. 2 (Spring 1988), pp. 211-221. Hagenaars and de Vos used different poverty measures to estimate the number of poor (headcount) in Holland. Their results indicate that the headcount varies enormously by minimumfood definition, by household type (one-family, non-working, number of wage earners, etc.), and consumption behavior (e.g., unable to distinguish poverty from other effects of deprivation such as age, health, and household size). They found that subjective methods may be useful for identifying subgroups at high poverty risk and that there was a high correlation among the "basic needs," "just sufficient," and "official definition" measures of poverty. However, they conclude that in the end the definition and measure chosen will probably be less on its merit than on pragmatic grounds (e.g., data availability), political grounds (i.e., meets widely accepted societal values), or historical grounds.

[42] For variants based, in part, on this method, see B.S. Rowntree, *Poverty: A Study of Town Life* (London: Macmillan, 1901), who develops a poverty line based on a standard (expert) budget with monetary amounts for various necessary consumption items, and Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, Vol. 28, No. 1 (January 1965), who develops poverty thresholds based on a multiple of the dollar amount for basic food requirements rather than on the dollar amount of different necessary consumption items. Sen has suggested that poverty should be defined in terms of capabilities rather than the consumption of commodities. Under this approach, basic needs are absolute in terms of capabilities (the set of choices, opportunities, or access), but not necessarily in terms of consumption goods or income; see Amartya K. Sen, *Commodities and Capabilities* (Amsterdam: North Holland, 1985).

[43] Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, Vol. 28, No. 1 (January 1965), p. 5. While minimum food-intake requirements (in terms of calories, protein, and other nutrients) may be somewhat uncontroversial, differences arise with regard to quality, mix, and accessibility of minimum subsistence diets.

going to the doctor or dentist when needed, having telephone or utilities disconnected, or being evicted from a house or apartment, based on panel data from the Survey of Income and Program Participation (SIPP).[44]

(b) Food/Income Ratio

This approach, based on the proposition that the ratio of food expenditures to income declines as income increases (Engel's Law), uses actual household consumption expenditure data to determine the minimum share of income (family budget expenditure) needed for food (e.g., **a** of household expenditures in the United States[45] or 80 percent of household expenditures in India[46]). Persons or households spending more than this minimum share are considered poor. The United Nations Development Programme (UNDP) uses a measure of "ultra-poverty" for the situation where a household cannot meet 80 percent of the Food and Agriculture Organization of the United Nations–World Health Organization (FAO–WHO) minimum calorie requirements, even when using 80 percent of its income to buy food.[47]

(c) Fixed Cost/Income Ratio

This method sets a minimum ratio of fixed costs (i.e., costs of expenditure items which reduce disposable income such as housing, taxes, energy, insurance, telephone, transportation, education, or other items on which people will not diminish their expenditures) to income. This method has been used in Dutch social policy discussions where the ratio has been set at 50 percent.[48]

(d) Total Expenditure/Income Ratio

In this case, a person is considered poor if their expenditures are greater than current income (i.e., the ratio of total expenditures over income is greater than one so one needs to borrow or use savings in order to get

---

[44] See Kurt J. Bauman, *Extended Measures of Well-Being: Meeting Basic Needs, 1995*, Household Economic Studies, Current Population Reports P70-67 (Washington: U.S. Census Bureau, released July 1999); accessible on the U.S. Census Bureau's web site at either <http://www.census.gov/Press-Release/www/1999/cb99-130.html> or <http://www.census.gov/prod/www/abs/popula.html>.

[45] See Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, Vol. 28, No. 1 (January 1965), p. 7-9.

[46] See V.M. Dandekar, *Measurement of Poverty*, R.R. Kale Memorial Lecture, 1981 (Pune, India: Spicer College Press, Gokhale Institute of Politics and Economics), p. 6.

[47] See United Nations Development Programme, *Human Development Report 1997* (New York: Oxford University Press, 1997), p. 13.

[48] Aldi Hagenaars and Klaas de Vos, "The Definition and Measurement of Poverty," *Journal of Human Resources*, Vol. XXIII, No. 2 (Spring 1988), p. 214.

along).

2) Relative Measures

(a) Income Deprivation

In this approach, the poor are seen as lacking income necessary to purchase basic necessities relative to others in the society that are able to. Using a broader notion of subsistence, the poverty line is set as a proportion (say, 60 to 80 percent) of average earnings of manual (unskilled) workers, the average wage of male heads-of-households, or average weekly earnings of some reference group, where the proportion depends on the family size.[49]

(b) Commodity Deprivation

Under this notion, the poor are seen as lacking certain commodities that are common in the society that they are living in.[50] A standard consumption pattern is determined that represents society's common practice and poverty is measured as how much one's actual consumption pattern differs from this standard. Often a scoring index is developed which indicates the number of times there is a shortfall of not possessing a certain item (e.g., durable goods such as a car, color television, refrigerator, washing machine, or expectations about replacing one of these items if it breaks down). Besides being somewhat arbitrary, the focus on durable goods may mistakenly classify as poor some young starting households which have accumulated few durable goods. In the United States, while not incorporated into the official poverty measure, the U.S. Census Bureau has measured the nation's poor and nonpoor access to consumer durables such as a washing machine, clothes dryer, dishwasher, refrigerator, freezer, color television, stove, microwave, VCR, air conditioner, personal computer, and telephone, based on panel data from the Survey of Income and Program Participation (SIPP).[51]

3) Subjective Measures

(a) Minimum Income

---

[49] See, for example, Brian Abel-Smith and Peter Townsend, "The Poor and the Poorest," *Occasional Papers on Social Administration* Number 17 (London: G. Bell & Sons Ltd., 1965) for a discussion of the evolution and development of this type of relative poverty measure by B.S. Rowntree in England over the period 1899 to 1950.

[50] A variant of this method considers the deprivation standard in terms of social activities (rather than commodities) as indicators of whether a family is participating in the community's style of living; see Peter Townsend, *Poverty in the United Kingdom* (Harmondsworth: Penguin Books, 1979).

[51] See Kathleen Short and Martina Shea, *Beyond Poverty, Extended Measures of Well-Being, 1992,* Household Economic Studies, Current Population Reports P70-50RV (Washington: U.S. Census Bureau, released September 1995); accessible on the U.S. Census Bureau's web site at <http://www.census.gov/prod/www/abs/popula.html>.

This approach surveys people to determine the income level that they feel is “just sufficient”(or asks for a level that is “not sufficient” and a level that is “sufficient”) for the household. If their income is less than “just sufficient,” then they are considered poor.[52] The method assumes that “sufficient” and “not sufficient” are associated with the same levels of welfare throughout the society.

(b) Minimum Consumption

This method surveys people to determine what they consider to be basic needs and how much of these they need and then compares what they say they need with what they actually purchase. Usually, food is the relevant category used.

4) Official Measures

The World Bank, the International Labor Office (ILO), and other United Nations institutions are involved in reporting on poverty, but few institutions are directly involved in poverty-related data collection. Poverty analysis is often limited by the availability of accurate data. National household income or consumption surveys are seldom available for most developing countries. The World Bank, ILO, United Nations Development Programme (UNDP), World Food Program, and United Nations Statistical Division have accumulated extensive experience in providing assistance to developing countries in this area. In addition, international measures of poverty (i.e., methods applicable across countries) have been developed by the World Bank and the UNDP to assist them in the administration of development aid programs.

(a) National Measures

These measures of poverty are usually developed by national statistical agencies for use by the government in development planning or as a basis for providing social assistance to the needy. In most cases, either an absolute or a relative measure is adopted to set the national poverty line. The usual starting point for setting an absolute country-specific poverty line is the calculation of minimum per capita food and energy needs on the basis of age- and sex-specific minima. The composition of the food basket is usually determined by considering the prevailing dietary habits within the country and the cost of the minimum food basket is usually evaluated using retail prices. The national poverty rate is the percentage of the population living below the poverty line deemed appropriate for the country by its authorities. The national poverty rate is often disaggregated into urban and rural poverty rates. National estimates are then based on population-

---

[52] For a further discussion and application of this method, see Theo Goedhart, Victor Halberstadt, Arie Kapteyn, and Bernard M.S. Van Praag, “The Poverty Line: Concept and Measurement,” *Journal of Human Resources*, Vol. 12, No. 4 (1977), pp. 503-520; Diane Colasanto, Arie Kapteyn, and Jacques van der Gaag, “Two Subjective Definitions of Poverty: Results from the Wisconsin Basic Needs Study,” *Journal of Human Resources*, Vol. 19, No. 1(1984), pp. 127-137; Sheldon Danziger, Jacques van der Gaag, Michael K. Taussig, and Eugene Smolensky, “The Direct Measurement of Welfare Levels: How Much Does It Cost to Make Ends Meet?” *Review of Economics and Statistics*, Vol. 66, No. 3 (1984), pp. 500-505; and Aldi J.M. Hagenaars, *The Perception of Poverty* (Amsterdam: North Holland Publishing Co., 1986).

weighted subgroup estimates from household surveys. Some countries have not adopted an official poverty measure due to a lack of national consensus on a definition.

The World Bank has developed the Living Standards Measurement Survey (LSMS) to collect data on poverty and other development indicators in some 30 countries. The national statistical agency in each country actually carries out the survey. The World Bank's LSMS surveys are household surveys which have been conducted during the last 13-14 years. Establishing a reliable system for monitoring living standards at disaggregated levels requires a well-functioning sample survey apparatus. Many countries conduct household surveys that generate sufficiently disaggregated information to facilitate planning, and international survey programs. For other countries, however, the state of the data does not even allow an accurate estimate of basic indicators. For these countries the World Bank's Living Standards Measurement and Social Dimensions of Adjustment surveys provide one way to build local capacity.

(b) International Measures

International organizations such as the World Bank, the United Nations Development Programme (UNDP), and the International Labor Organization (ILO) regularly publish measures of poverty based on results from individual national surveys as well as those based on an internationally comparable basis.

The poverty lines published by the World Bank are based on both country-specific (national) and international poverty lines estimates, expressed in monetary units. Poverty measures are prepared by the World Bank's Development Research Group and are updated and revised on a regular basis.[53] Country-specific poverty lines are based on representative primary household surveys conducted by national statistical offices or by private agencies under government or international agency supervision, or are obtained from government statistical offices or World Bank country departments.

The World Bank frequently uses two different international poverty line: one which is set at 2 U.S. dollars (US$) per person per day and the other which is set at US$1 per person per day (the extreme poverty line), both in 1985 prices adjusted for purchasing power parity.[54] The US$1/US$2 international poverty lines in 1985 purchasing power parity adjusted US$ are roughly equivalent to US$1.50/US$3.00 in terms

[53] The World Bank's seminal work on poverty was summarized in its *World Development Report 1990: Poverty*; the *World Development Report 2000-01* will once again focus on the subject of poverty. See the World Bank's web site: <http://www.worldbank.org/povertywdrpoverty/index.htm>.

[54] Since prices of goods and services vary greatly among countries and commercial market exchange rates have frequent and sometimes sharp fluctuations and do not reliably reflect relative differences in prices, purchasing power parities, which give the number of foreign units of currency required to buy goods and services equivalent to what can be purchased with one unit of U.S. (or other base country) currency, provide a better basis for making international comparisons.

of 1997 U.S. prices.[55] While somewhat arbitrary in definition, the advantage of a common international poverty line is that it permits comparisons based explicitly on equivalent real baskets of goods and services. According to the World Bank, the standard of US$1 a day, measured in 1985 international prices and adjusted to local currency using purchasing power parity conversion factors, was chosen for use in its *World Development Report 1990*, which focused on the subject of poverty, because it is typical of the poverty lines in low-income economies.[56] The World Bank acknowledges that while purchasing power parity factors take into account the local prices of goods and services that are not traded internationally, they were designed for international national accounts aggregates and not international comparisons of poverty. Thus, there is no reason to believe that these international poverty lines represent the same level of deprivation across countries.

The United Nations Development Programme (UNDP) has issued annual reports since 1990 which mark the progress of human development in countries around the world. Over the years, these reports have developed more comprehensive country measures of human development and poverty. Based on the premise that human development is a process of enlarging choices and capabilities, the UNDP measures (indexes) have been based on three basic dimensions of human development in a country: longevity, knowledge (or educational attainment), and a decent standard of living.

The UNDP's Human Development Index (HDI), which measures progress in a country as a whole, is based on life expectancy at birth (longevity); adult literacy and combined primary, secondary, and tertiary enrolment (knowledge); and adjusted per capita income in purchasing power parity prices (a decent standard of living).[57]

---

[55] World Bank, *World Development Report: Knowledge for Development 1998-99* (New York: Oxford University Press, 1999), p. 117.

[56] World Bank, *World Development Report: Knowledge for Development 1998-99* (New York: Oxford University Press, 1999), p. 236. For more background on the nature of the 1990 World Bank poverty estimates, see Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990). In most cases, an absolute poverty line, defined as an expenditure or income level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the poverty line for rural areas of India, which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US$31 (US$1 per person per day) after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth*, Series 34, No. 1 (March 1988), pp. 1-25. See Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 136.

[57] Based on the same dimensions and variables as the HDI, the UNDP has also developed gender-related development indices (GDIs) to capture inequalities in achievement between men and women and gender empowerment measures (GEMs) to measure inequalities in opportunities between men and women in key areas of economic and political participation and decision making and earned income. See United Nations Development Programme, *Human Development Report 1998* (New York: Oxford University Press, 1998), pp. 14-15.

The UNDP also sees human poverty as being multidimensional, that is, more than just a lack of income. In this view, poverty entails not only the lack of what is necessary for material well-being (i.e., income poverty), but also the denial of opportunities and choices most basic to human development (viz., a long, healthy, creative life (longevity); dignity, self-esteem, and respect of others (knowledge); and things that people value in life (a decent standard of living). "Since income is not the sum total of human lives, the lack of it cannot be the sum total of human deprivation."[58] The UNDP's Human Poverty Index measures the extent of deprivation or the proportion of persons left out of the progress indicated by the HDI.

Since economic and social deprivation varies with the level of development, different measures of poverty are used by the UNDP for developing and developed countries. For developing countries, which have a low level of resources, the focus is on hunger, epidemics, illiteracy, and the lack of health services and safe drinking water. For the industrialized (developed) countries, which are more affluent, the focus is on social exclusion as reflected in deprivation of income and employment—the necessary means for acquisition of required material goods and services—and the lack of opportunities and capabilities mirrored in deficiencies in health and literacy. The specific elements which comprise the UNDP Human Poverty and Income Poverty Indexes are as follows:

- For developing countries, the UNDP's Human Poverty Index (HPI-1) is based on the percentage of persons not expected to survive to age 40 (longevity); the percentage of adults who are illiterate (knowledge); and the percentage of persons without access to health services and safe drinking water and the percentage of underweight children under five (indicators of deprivation in economic provisioning for a decent standard of living). The UNDP's measures of income poverty for developing countries are based national poverty lines, generally based on the food poverty measures, and, for international comparison, the World Bank's international poverty line of US$1 per person per day at 1985 prices adjusted for purchasing power parity. A poverty line of US$2 per person per day at 1985 prices adjusted for purchasing power parity is used for countries in Latin American and the Caribbean, while a poverty line of US$4 per person per day at 1990 prices adjusted for purchasing power parity is used for Eastern European and Commonwealth of Independent States (CIS) countries.

- For developed countries, the UNDP's Human Poverty Index (HPI-2) is based on the percentage of persons not expected to survive age 60 (longevity); the percentage of adults who are functionally illiterate (knowledge); the percentage of persons living below the income poverty line of 50 percent of median disposable income (a decent standard of living); and the proportion of long-term (12 months or more) unemployed (as a measure of social exclusion). Two international poverty lines are used by the UNDP to determine the income poverty rate in developed countries, a measure

[58] United Nations Development Programme, *Human Development Report 1998* (New York: Oxford University Press, 1998), p. 25. See also, United Nations Development Programme, *Human Development Report 1997* (New York: Oxford University Press, 1997) which was devoted entirely to the issue of poverty. See also, the UNDP's web site: <http://www.undp.org/undp/hdro>.

of US$14.40 per day at 1985 prices adjusted for purchasing power parity (which is equivalent to the U.S. poverty line) and the EU and OECD standard of 50 percent of a country's median adjusted disposable personal income.

The International Labor Organization (ILO) gathers available poverty estimates and information on the distribution of income for most countries and provides a summary of these measures in a compendium which is published every three years.[59] National and international poverty estimates (poverty line and percentage of the population below the poverty line) made by researchers in the private sector and public sector are provided along with a brief description of the data sources and methodology used.

To help facilitate and improve the rapid and relatively inexpensive collection of information for poverty monitoring in lower-income countries, the ILO has developed a monograph which outlines methods for ensuring that information is minimally sufficient, provides a range of poverty indicators, is low in cost and rapid in execution, is subject to an acceptable degree of measurement error, and is amenable to timely processing and analysis.[60]

Meeting Workers' Needs

The establishment of a minimum wage system is often portrayed as a means for ensuring that workers will receive a minimum wage-income that enables them to meet their basic needs (and, in some cases, those of their families); hence the frequent use of the term "minimum living wage" or "living wage."[61] Determination of such a wage raises questions similar to those that arise in the measurement of poverty (e.g., in terms of definition, content, and composition of households and income or consumption measures used; and the number of wage earners in a household and other sources of income) and may also challenge the notion that there should be a single breadwinner for a household. While the concept that a minimum wage should be a "living wage" may be consonant with some international covenants and declarations and the goal of reducing poverty, economic and labor market conditions (i.e., the ability to pay such a wage) may restrain the setting of a "living wage."

Definition

The term "living wage" is often used as a synonym for a "fair and decent" level of income that would enable

---

[59] The most recent report is Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996); an updated report is scheduled to be released latter in 1999.

[60] See Richard E. Bilsborrow, Richard B. Anker, and Deborah S. DeGraff, *Poverty Monitoring and Rapid Assessment Surveys* (Geneva: International Labour Office, 1998).

[61] International Labour Organization, *Minimum Wages: Wage fixing machinery, application and supervision* (Geneva: International Labour Organisation, 1992), para. 33.

workers to meet their "basic needs," but there is little agreement on the definition of "basic needs" and a methodology to determine such needs. While there have been a number of declarations and conventions by regional and international bodies concerning the right of workers to receive an adequate wage,[62] they do not provide a precise definition of what that wage should be or how it should be determined.

For some, "basic needs" mean mere physical subsistence. For others, basic needs include a nutritious diet, safe drinking water, suitable housing, energy, transportation, clothing, health care, child care, education, savings for long term purchases and emergencies, and some discretionary income. Even among those who agree with this more expansive definition, significant differences remain as to what level of income is required in order to meet these objectives.[63] In addition, some have argued that the living wage is not just about wage levels, but also about other conditions of work. Often, a limit on the number of hours of work in a workweek (usually 48 hours) is included as part of the living wage proposals.

A number of groups are currently involved in promoting fair and decent wages, often with different objectives, methods, and countries of application. In Europe, the Council of Europe has set a "decency threshold," 68 percent of average gross earnings, which the European Social Charter defines as "the fair remuneration needed to achieve a decent standard of living...taking account of economic, social and cultural needs."[64] In the United States, the living wage movement has concentrated on local-level initiatives seeking to raise wages for those providing services to city governments, while in the developing world, it has focused on raising wages for unskilled workers in export-oriented businesses or multinational corporations. Several conferences and meetings have brought together major proponents of a living wage in an attempt to establish a more uniform definition and methodology as well as to coordinate strategies for raising wages to living wage levels.[65]

Although the national economic implications (unemployment, price stability, competitiveness, etc.) of workers receiving a living wage may not be explicitly addressed in most living wage proposals, they probably are implicitly incorporated into most. Generally, the richer the country the higher the calculated real living wage. The tendency for the estimated living wage to increase with the level of development mirrors a similar tendency for estimates of the absolute poverty level to increase with the level of

[62] For example, ILO Convention No. 131 requires that a minimum wage consider "the needs of workers and their families."

[63] For example, in the United States, some of the city living wage campaigns have defined a living wage in the US$8-10 an hour range, while others have set one in the US$16-19 an hour range. See, for example, Robert Pollin and Stephanie Luce, *The Living Wage: Building a Fair Economy* (New York: The Free Press, 1998).

[64] Cited in David N.F. Bell and Robert E. Wright, "The Impact of Minimum Wages on the Wages of the Low Paid: Evidence from the Wage Boards and Councils," *The Economic Journal*, Vol. 106, No. 436 (May 1996), p. 650.

[65] Recent examples in the United States include the Living Wage Working Summit held at the University of California at Berkeley (July 17-19, 1998) and the Global Living Wage Workshop held at the Carter Center in Atlanta (January 27, 1999).

development.[66] This tendency for the absolute poverty level to increase with economic development is referred to as the income elasticity of the poverty line. Alfred Marshall commented over a century ago, "every estimate of necessaries must be relative to a given place and time."[67]

Llewellyn Smith even suggested that the public's perception of what constitutes poverty is simply the income level of unskilled labor at that place and point in time.[68] Henry Clay concluded, "The fact that all the poverty lines seem to bear a close relation to the wage of unskilled labor in the country in which they are made makes one doubt the scientific value of the dietetic data on which the line is based."[69] Although these opinions deal more precisely with the concept of poverty, they would appear to be even more consistent with the issues raised with regard to the living wage level since the living wage level is generally defined near the poverty level with perhaps some additional discretionary income.

Kilpatrick[70] has calculated the budget costs from 1905 to 1960 of three different baskets of goods and services in the United States, using Ornati's[71] definition of what a household would need in order to live at one of three designated levels of well-being—minimum subsistence, minimum adequacy, or minimum comfort. The latter two levels represent standards of living higher than minimum subsistence or poverty and, therefore, are similar in spirit to current living wage notions. Kilpatrick found that the minimum adequacy level rose by 0.88 percent in real terms for each 1.0 percent increase in real disposable income per capita; the corresponding minimum comfort level increased by 0.998 percent. In a review of relevant literature, Gordon Fisher has found similar (generally between 0.6 and 1.0) income elasticities for the

[66] The absolute level of poverty is based upon an estimate of the minimum consumption needs of a household (which change with the level of development) and is therefore quite similar to the living wage concept, although the levels may differ; the relative poverty level is based upon some relationship to the national median or mean income level and would automatically increase with economic development. See Gordon Fisher, "Is There Such A Thing as a Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995).

[67] Alfred Marshall, *Principles of Economics* (London: Macmillan Press, 1890), pp. 121-122.

[68] Llewellyn Smith, "The New Survey of London Life and Labour," *Journal of the Royal Statistical Society*, Vol. 92 (1929).

[69] Henry Clay, "Discussion on Mr. Caradog Jones's Paper 'The Social Survey of Merseyside'," *Journal of the Royal Statistical Society*, Vol. 94 (1931), pp. 256.

[70] Robert W. Kilpatrick, "The Income Elasticity of the Poverty Line," *Review of Economics and Statistics*, Vol. 55, No. 3 (August 1973), pp. 327-332.

[71] Oscar Ornati, *Poverty Amid Affluence* (New York: Twentieth Century Fund, 1966).

poverty line using several different approaches for the United States, Britain, Canada, and Australia.[72] An exception to this pattern is the official U.S. poverty line which has remained fixed in real terms since it was established in the 1960s; Fisher concludes that this has happened for political reasons (no Administration wants the poverty rate to go up during its tenure) and because the official poverty level is determined by theoretical statisticians instead of workers in the field.[73] Thus, although the living wage is often discussed as a living standard that meets some minimum absolute level of well-being, it is apparent that living wages are culturally defined and based upon and move in tandem with the general living standards of the society.

Measures

There are some general issues that must be addressed before more specific issues impinging on the calculation of a living wage are considered. First, the number of persons in a household that work needs to be determined as well as the number of children or other dependents. The number of workers per household is very important since if there is only one wage earner, the wage would have to be more than when there are two. For example, Ryan advocated a wage that would allow a man to support a wife and four or five children.[74] Mexico's Constitution "guarantees" a living wage capable of supporting a family with one wage earner.[75] In 1920, the (Australian) Royal Commission on the Basic Wage developed a budget for a basic wage for a five-person family with one wage earner.[76] The city of Boston's living wage for suppliers of services to the city government is set at a level that would allow one wage earner to support a family of four at the federal poverty line.[77] The Council on Economic Priorities Accreditation Agency (CEPAA) guidelines for the Social Accountability 8000 generally assume two wage earners in calculating a living wage, while the National Priorities Project (NPP) and Jobs With Justice (JWJ) living wage estimates assume one wage earner with a family of four.

---

[72] Gordon Fisher, "Is There Such A Thing as a Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995).

[73] Gordon Fisher, "Is There Such A Thing as a Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995), pp. 34-38.

[74] John Ryan, *A Living Wage: Its Ethical and Economic Aspects* (New York: MacMillan, 1906, third printing 1912; reprinted edition, New York: Arno and the New York Times, 1971), p. 122.

[75] See above.

[76] Gordon Fisher, "Is There Such A Thing as a Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995), p. 32.

[77] Robert Kuttner, "Boston's 'Living Wage' Law Highlights New Grassroots Efforts to Fight Poverty," *Electronic Policy Network* (October, 1997).

Second, there is the issue whether some internationally recognized and consistent standards should be used to determine a living wage. Since implementing a living wage in internationally competitive industries could alter competitiveness, it may be desirable to develop a living wage level which raises workers' income, but does not alter the relative competitiveness of industries in specific countries. Also, the observed problem concerning the income elasticity of absolute poverty needs to be addressed. In addition, the qualitative approach to poverty—in which each community decides what poverty is based on their own characteristics—suggests that such an attempt at standardization may not even be desirable.[78]

There are two basic methodologies with numerous variations which have been used to calculate a living wage. First, there are those that specify a commodity basket of goods that a person or family would need to consume in order to satisfy their basic needs. The cost of the basket is determined and the wage level necessary to buy such a basket is then calculated. This approach, which is related to the construction of an absolute poverty threshold and appears to directly address the primary objectives of the living wage, was used by proponents of a living wage at the end of the nineteenth century. It has also been generally adopted and accepted by consumer, human rights, religious, and labor organizations. The second method, which is related to the construction of a relative poverty threshold, attempts to impute a living wage from national economic statistics. This method defines the living wage with reference to historical or cross-sectional national income, productivity, or average wage levels. This indirect approach is easier and less costly to conduct since it does not require the detailed data collection required of the market basket approaches.[79]

1) Market Basket Approach

The market basket approach identifies the types and quantities of commodities that are required for a person or household to attain a certain or desired standard of living. However, significant disagreement remains as to what types and quantities of commodities should be in the basket, especially since the level of economic development varies across countries and over time. Once the basket is determined, a pricing survey is usually undertaken to determine the monetary cost of the basket. This figure is then adjusted by considering average family size and the number of wage earners. There are two methodologies used to calculate the costs of the necessary items: (a) pricing the whole basket of goods; and (b) pricing only the food basket and then extrapolating the costs of the remaining items based on the cost of the food basket.

(a) Full Market Basket

Since the this method specifies the complete basket of required goods and determines their costs, the

---

[78] Soniya Carvalho and Howard White, "Combining the Quantitative and Qualitative Approaches to Poverty Measurement and Analysis," *World Bank Technical Paper No. 366* (Washington: World Bank, 1997).

[79] These approaches require significant data but most, if not all, of it is readily available from existing sources.

approach makes explicit what goods are needed in order to meet basic needs.[80] A disadvantage of the approach is that it requires a significant amount of price data to be collected. For some items such as health care, monthly or even yearly expenses could vary widely and therefore statistical procedures may have to be used to estimate their costs in the basket. Although, the approach could be implemented in any country, the basket of goods required to meet basic needs will vary by time and location as food consumption patterns, housing needs, family size, education requirements, and public health vary across countries or even across subregions within a country. There is no scientific method to ensure that living wages would be comparable from region to region where the baskets varied, since it is widely accepted by the economics profession that interpersonal comparisons of well-being (utility) cannot be made.

Although the types and quantities of food items that are included in a market basket vary, there appears to be some general agreement that the basket should at least assure a minimum required calorie intake and be based on a diet of the most affordable local foods. The typical level of calories varies from around 2,250 to 3,000 per person per day;[81] this level provides more energy than is necessary for biological survival and allows the worker to carry out normal work and life activities. As a practical matter, the calorie requirement will vary with a person's weight, state of health, and level of activity. In addition, a nutritious diet is more than just calories, as it should include the correct proportions of the food types (fruits, vegetables, etc.).

Recent examples of the full market basket approach include: a 1997 study by Dartmouth College's Amos Tuck School of Business of the living wage in Indonesia and Vietnam;[82] a 1998 living wage study by Global Exchange of Indonesia;[83] and a 1990 report by Arthur D. Little which determined required wage levels for compliance with the Statement of Principles for South Africa (a voluntary business code of conduct for firms then operating in South Africa).[84]

A variation of the full market basket approach, referred to as the Purchasing Power Index (PPI) method,

---

[80] This was the method used by some of the early writers to estimate a living wage, including John Ryan in 1906; see John Ryan, *A Living Wage: Its Ethical and Economic Aspects* (New York: MacMillan, 1906, third printing 1912; reprinted edition, New York: Arno and the New York Times, 1971). Many of these writers simply gave dollar amounts for the various items and did not specify exact physical quantities.

[81] This is represents the current range of estimates; beginning in 1920, the basis for BLS family budgets was 3,500 calories for a man and less for his wife and each child.

[82] Derek Calzini, Jake Odden, Jean Tsai, Shawna Huffman, and Steve Tran, "Survey of Vietnamese and Indonesian Domestic Expenditure Levels: Nike, Inc.," Dartmouth College, Amos Tuck Business School, November 1997.

[83] Global Exchange, *Wages and Living Expenses for Nike Workers in Indonesia*, 1998; web site: <http://www.globalexchange.org>.

[84] Arthur D. Little, Inc., *Fourteenth Report on the Signatory Companies to the Statement of Principles for South Africa* (Cambridge, MA: Industry Support Unit of Arthur Little, 1990).

estimates the minutes of work time required at the prevailing wage or the minimum wage to purchase a basket of goods and services and uses these estimates to determine a living wage. Ruth Rosenbaum at the Center for Reflection, Education and Action has used this method in her living wage studies of Mexico, Haiti, and Indonesia.[85] The work time conversion provides information that allows comparison between countries with different currencies without the distortions created by conversion into dollars,[86] or historical comparisons independent of nominal dollar evaluations.

The Living Wage Working Summit at Berkeley[87] has proposed a formula to estimate the living wage for a family: take home living wage (LW) should be equal to the cost of a basic needs basket for an individual (BN) multiplied by average family size (FS), adjusted for the number of adult wage earners (W), plus housing and energy costs (H), adjusted for the number of adult wage earners (W), plus an additional 10 percent for savings, i.e., $LW = 1.10 \times [(BN \times FS)+H]/W$.

The National Priorities Project (and Jobs for Justice) estimates living wages in the United States using a modified full market basket of goods approach. Expenditure estimates are obtained from different sources for several broad categories of expenditures: (1) the food expenditure is based on calculations from the U.S. Department of Agriculture; (2) the housing expenditure uses the 40th percentile of rents as reported in the U.S. Department of Housing and Urban Development's Fair Market Rent Survey; (3) the cost of day care comes from an estimate provided by the Children's Defense Fund; and (4) transportation, clothing, and personal expenses are derived from the Bureau of Labor Statistics' Consumer Expenditure Survey as to what is typical of lower income households.

The organization Wider Opportunities for Women (WOW) calculates what a family must earn in order to meet their basic needs (housing, child care, food, transportation, health care, miscellaneous expenses, and taxes). It uses a market basket approach, pricing each component individually, with data reported to federal and state agencies. The calculation assumes that adults work full-time and takes into account the cost of employment (child care, transportation, and taxes) as well as variations in the size and composition of the family and its geographic location. Estimates of "self-sufficiency" are developed for numerous family

---

[85] See, for example, Center for Reflection, Education and Action (CREA), *In Whose Interest: Using the Purchasing Power Index to Analyze Plans, Programs and Policies of Industrialization and Development in Haiti* (Hartford, CT: CREA, February 1996). As an illustration, Rosenbaum estimates that, in 1996, the "cost" of 1 kilo of rice for a worker employed at the legal minimum wage was 98 minutes of work in Jakarta, Indonesia; 35 minutes in Matamoros, Mexico; and 106 minutes in Port-au-Prince, Haiti. Ruth Rosenbaum and David Schilling, *Letter* to Stephanie Swirsky, Deputy Director, Public Liaison, U.S. Department of Labor (June 24, 1999), p. 2

[86] Although using dollar exchange rates allows one to make comparisons in a common currency it is not clear if it is a meaningful comparison due to distortions in exchange rates such as the Balassa-Samuelson purchasing power parity bias (whereby market exchange rates systematically undervalue income and prices in less developed nations).

[87] Results of the Berkeley summit were obtained from the Sweatshop Watch web page: <http://www.sweatshopwatch.org>.

types and are specific to a geographic area.[88]

The U.S. Bureau of Labor Statistics (BLS) used the full market basket approach to calculate budgets for workers' families which it published in 1919-1920 and from 1948 through 1982; the budget published in the late 1940s was termed "moderate but adequate."[89] Their methodology for determining the items in the basket changed through the years. Initially, the items included in the budget were specified according to the "judgement" of the researcher conducting the study, similar to the manner in which many market baskets in use today are determined. However, beginning in 1946, information from the BLS's Survey of Consumer Expenditure was used to determine the market basket. For the food and housing portions of the budget, data from actual consumer budget expenditures were used to determine the level of expenditure consumers actually purchased. The nutritional standard for food was based on the 1945 allowances recommended by the National Research Council, but the selection of specific foods to meet these standards was made from a 1941 BLS expenditure survey. In a like manner, specifications for healthful housing were formulated by the American Public Health Association. Thus experts still used their judgement to determine what was necessary, but the expenditure level required to attain that level was derived from expenditure surveys instead of simply specifying the basket and then pricing it. The remainder of the budget level was set at the income level where families spent all their income (savings were viewed as income being more than what was necessary while dissaving was viewed as unacceptable). This method of determining the other components of the basket was modified slightly in the 1960s when quantities of items were determined by looking at the point where the expenditure-income elasticity of each item reached its maximum. The BLS budgets specified a full market basket of goods required to attain an "adequate but moderate" living standard, but the basket of goods was derived largely from expenditure surveys instead of being proposed by experts. A review of BLS methods in 1980 recommended that the full basket of goods methodology be replaced by a relative income measure, where an "adequate family budget" was defined as the median expenditure level for a two-parent family of four.

(b) Extrapolated Food Basket

A variant of the market basket approach calculates the costs of a food basket in a manner similar to the full market basket approach,[90] and then extrapolates to determine the required level of expenditure of all

---

[88] See, for example, Diana Pearce and Jennifer Brooks with Laura Henze Russell, *The Self-Sufficiency Standard for Massachusetts: Selected Family Types* (Washington: Wider Opportunities for Women, September 1998).

[89] See the discussion of the BLS budgets in Appendix B of this report.

[90] There are no methodological differences in general principles between the full market basket and the extrapolated basket approaches with regard to how the food basket should be determined. In practice, there is no general agreement, however, as to what specifically should be in the food basket.

other goods.[91] Generally, it is assumed that workers at the living wage level of income spend the same percentage of their income on food as the average person in their nation. For example, if the average consumer spends 25 percent of his/her income on food, then the living wage would be 4-times the cost of purchasing a basket of necessary food items. This approach requires fewer data elements since the costs necessary to buy the non-food items—which are generally more difficult to quantify—are imputed from the cost of the food basket. However, the legitimacy of the extrapolation can be questioned since it would be expected that less affluent households would spend a higher percentage of their income on food.[92]

The Council on Economic Priorities has used a variant of the extrapolated food basket approach in their Social Accountability (SA) 8000 standard.[93] The SA 8000 states that the basic food basket for an adequate diet should provide at least 2,100 calories per day for an individual. Their basic needs formula first estimates the cost of a basic food basket for one person (BF), based on poverty line data for a country or statistics generated by local governments, United Nations agencies, or international financial institutions.[94] Next, the percentage of household income spent on food is determined, using income and expenditure statistics from the ILO or other UN agencies. The reciprocal of this ratio yields a multiplier which, when applied to the cost of the basic food basket, gives an estimate of what the average household needs to spend per person. This is then multiplied by the number of household members, adjusted for the number of those contributing to the household's income (usually household size divided by 2). Finally, an additional 10 percent is added for discretionary income. Thus the formula is: basic needs = (cost of basic food basket) x (1/percent of average household income spent on food) x (household size/number of wage earners) x 1.10.

The extrapolated food basket approach was used by Mollie Orshansky of the U.S. Social Security Administration in the 1960s to develop what later became the official poverty line for the United States. She had official figures from the U.S. Department of Agriculture for the cost of a minimum adequate diet. She also had data that the average family spent about one-third of its after-tax money income on food in 1955. Thus, the poverty line was defined as three times the cost of the food basket. Since that time, the

---

[91] This approach was used to estimate living wages as early as that of Louise More in 1907. She appears to have adopted the approach from Richard Mayo-Smith, *Science of Statistics: Part II: Statistics and Economics* (New York: Macmillan, 1899).

[92] This is a well established empirical relationship of consumer expenditure studies and is referred to as Engel's Law.

[93] Council on Economic Priorities Accreditation Agency (CEPAA), *Guidance Document for Social ACCOUNTABILITY 8000* (New York: CEPAA, 1998) and web site: <http://www.cepaa.org>.

[94] The guidelines call for verification that food prices reflect the current market situation and that subsides and inflation effects have been taken into account.

poverty line has been adjusted annually for inflation.[95] Many of the municipal living wage proposals for U.S. cities set a wage that would allow a worker to support a family at or above the official U.S. poverty line. Therefore, these living wage initiatives are based on an extrapolated food basket methodology.

2) Imputed from National Economic Statistics

An alternative method to determining a living wage is based on national economic statistics. Several methods have been suggested: (1) unit cost method; (2) inter-country historical wage comparisons; and (3) relative income measures.

(a) Unit Cost Method

The unit cost method[96] determines the wage level that would equate unit labor costs a nation with that in the United States, taking account of differences in productivity between countries. Thus, if productivity in a nation were one-half of that in the United States, the calculated wage which would equalize wage costs would be one-half of the U.S. wage. Rothstein suggests that this wage could be further adjusted downward to provide concessions for countries at different levels of development; in some cases, these proposed adjustments are quite large (e.g., for Bangladesh, the equalizing wage would be adjusted downward by 80 percent). The adjustment factor appears to be arbitrarily determined and not based on a nations' comparative advantage or opportunity costs. Further, the method itself does not ensure that a wage so determined is sufficient to achieve the basic needs of workers since their income needs are not taken into considered in the calculation.

(b) Historical Comparison Method

A second method proposed by Rothstein[97] attempts to determine what developing countries' wages should be by comparing them to the minimum wages of more advanced countries when they were at similar stages of economic development. Rothstein uses this method to compare historical minimum wages in the United States to those currently in Chile, Dominican Republic and Mexico; he found that U.S. minimum wages were three or four times higher than those currently in Chile or Mexico. The Trade Partnership also used this method and determined that workers in Bangladesh, China, the Dominican Republic, El Salvador, Honduras, Guatemala, India, Pakistan, Thailand, and Turkey were being paid "living wages" that are

---

[95] Gordon Fisher, "Is There Such A Thing as a Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995).

[96] Richard Rothstein, *Developing Reasonable Standards for Judging whether Minimum Wage Levels in Developing Nations Are Acceptable* (Washington: Economic Policy Institute, 1996).

[97] Richard Rothstein, *Developing Reasonable Standards for Judging whether Minimum Wage Levels in Developing Nations Are Acceptable* (Washington: Economic Policy Institute, 1996).

appropriate to their country's level of development, since they were being paid wages similar to U.S. wage rates when the United States had the same per capita income.[98]

This method, like the unit costs method, does not ensure that a wage so determined would necessarily be sufficient to achieve basic needs since U.S. minimum wages may not have been sufficient at earlier times, inflation and exchange rate adjustments are likely to have introduced significant distortions over the period of comparison, and the change in the definition and concept of basic needs through time.

(c) Relative Income Methods

Some nations, especially the more developed ones, use relative income measures to set their minimum wage levels or to define their poverty levels. For example, Israel defines its minimum wage as 47.5 percent of the gross monthly wage and the poverty line is defined as 50 percent of median net income (adjusted for family size).[99] Peter Townsend first proposed this method in 1962.[100] Another early advocate was Victor Fuchs who wrote "attempts to define poverty in absolute terms are doomed to failure because they run contrary to man's nature as a social animal."[101] However, the percentage set is arbitrary and these relative definitions do not consider the ability of households to purchase a market basket consistent with some specified standard of living and, hence, do not necessarily guarantee that basic needs will be met. As such, this method has not been adopted by those making living wage calculations. If the original percentage were determined based on a market basket approach, then this method could possibly be used as a simple way to estimate yearly updates in a manner similar to the way market baskets are often updated using an inflation adjustment instead of a complete recalculation of the costs of the market basket.

In 1980, a committee of experts recommended that the BLS Family Budget Program adopt a relative income method in place of its established methodology of using full market baskets.[102] The committee had determined that median family income for a two-parent family of four was generally equivalent to the living standard that had been estimated using the full market basket approach. BLS never implemented the change in methodology as the entire Family Budget Program was eliminated due to budget cuts in the early 1980s.

---

[98] The Trade Partnership, *International Child Labor: Options for Action*, (Washington: National Retail Federation and National Retail Institute, December 1997).

[99] For more details, see information on Israel in Part II.

[100] Peter Townsend, "The Meaning of Poverty," *British Journal of Sociology*, Vol. 13, No. 3 (1962).

[101] Victor Fuchs, "Towards a Theory of Poverty," in Task Force on Economic Growth and Opportunity, *The Concept of Poverty* (Washington: U.S. Chamber of Commerce, 1965).

[102] Harold W. Watts, "Special Panel Suggests Changes in BLS Family Budget Program," *Monthly Labor Review* (December 1980), pp. 3-10.

Summary of Available Information on Wages, Benefits, Poverty Line, and Meeting Workers' Needs for Selected Countries

Minimum Wage

Of the 36 countries or entities examined, only 5 (Hong Kong, Macau, Malaysia, Singapore, and the United Arab Emirates) do not have a minimum wage. Cambodia is the only country which has established a minimum wage solely for workers in the apparel industry.

For countries which have a minimum wage, the minimum wage fixing system differs according to objectives and criteria, machinery and procedures, coverage, and subsequent adjustment as well as the operation and enforcement of rules established. In many of the countries examined, minimum wages are set by a tripartite committee or commission comprised of representatives from workers, employers, and the government, while in others they set by executive decree or legislative actions. The scope of application of minimum wage laws may be general and applicable nationwide (e.g., in the United States, Spain, Brazil, and the United Kingdom), or vary by region or jurisdiction of the country (e.g., in Mexico, Canada, Philippines, and Indonesia), by industry (e.g., in Bangladesh and Cambodia), by skill level or occupation (e.g., Bangladesh and Costa Rica), or a combination of these factors. In some cases, minimum wages are set through industry-wide collective bargaining agreements (e.g., in Italy). While the intent of most minimum wage legislation is to protect low wage workers and to provide a general wage floor for employment of workers, there may be groups of workers, professions, occupations, or certain activities which are excluded. Exclusions are often based on the type and size of the enterprise (e.g., in the Dominican Republic, Bangladesh, and India), while reduced minimum wage rates may apply to certain workers such as youth (e.g., youth 18-21 in the United Kingdom) or trainees (e.g., in Bangladesh, El Salvador, and Thailand). Frequent or substantial increases in the rate of inflation tend to be the primary reason for countries making upward adjustments in the minimum wage (e.g., Mexico).

All of the countries or entities examined—except Hong Kong—have established limitations on the number of hours in a standard workweek, which range from 40 to 58 hours per week. Provisions in national legislation usually provide for higher rates of pay (overtime rates of pay) for the hours worked above the number in a standard workweek. In at least one case (United Kingdom), there is an absolute limitation (including overtime) placed on the number of hours of work permitted in a workweek; some countries place certain limitations on the amount of overtime permitted over a specified time period, while others have no legal limitations on overtime (e.g., Philippines).

Table I-1 provides a summary of the type of minimum wage fixing mechanism, the current rate applied, and the number of hours in a standard workweek in the countries examined in this study.

Prevailing or Average Wage

The extent and quality of available information on prevailing or average wages in the manufacturing sector and in the footwear and apparel industries varies widely across the 36 countries considered. Average (hourly, daily, weekly, or monthly) earnings data for workers in all manufacturing are not available for 4 countries (Cambodia, Honduras, Indonesia, and the United Arab Emirates); similar earnings data are not available for workers in the apparel industry in 4 countries (the Dominican Republic, Nicaragua, Sri Lanka, and the United Arab Emirates) nor are they available for workers in the footwear industry in 12 countries (Brazil, Cambodia, the Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Pakistan, Singapore, Sri Lanka, and the United Arab Emirates). For those countries where average earnings data are available, coverage may vary by area (e.g., cover only a limited geographical area) or by industrial classification (e.g., include additional products such as other leather products [footwear] or textile products [apparel]). Some earnings measures reflect a rate of pay, only pay for time worked (straight-time), or may include (or exclude) some payments or bonuses for time not worked or other in-kind payments.

A summary of the latest available prevailing or average wage information for the manufacturing sector and in the footwear and apparel industries for the countries under consideration is provided in Table I-2. The reader is cautioned against making cross-country comparisons of the wage information due to differences in definition, period, and coverage. Even within a country, comparisons of earnings data between different sectors may suffer from similar problems (e.g., some given in hourly or daily rates while others are given in monthly or annual rate).

Despite these limitations some general observations are possible. For countries where prevailing or average wage data are available, average earnings in both the footwear and apparel industries, for the most part, tend to be lower than in all manufacturing but higher than the minimum wage level (except for Cambodia, Peru, and the Philippines were the minimum wage appears to be close to the prevailing wage in the apparel industry); average earnings tend to be slightly higher in footwear than in apparel.

Foreign contract workers comprise the bulk of workers in the footwear and apparel industries in the United Arab Emirates and the Commonwealth of the Northern Mariana Islands (a U.S. territory) and receive wages at rates specified in their work contracts which are usually below the prevailing wage rates for natives in other sectors of the economy.

Non-Wage Benefits

When certain employer-provided non-wage benefits are required by government, they generally apply to all private sector workers in industry or manufacturing rather than just to workers in the footwear or apparel industry. In most countries considered in this study, employers' payments to their employees for non-wage benefits account for a substantial portion of average compensation costs (e.g., over 50 percent in Costa Rica and Guatemala). Most countries provide for a certain number of paid legal public holidays, while provisions for paid vacation or sick leave appear to be more discretionary. A common non-wage benefit is the contribution to a compulsory (or in some instances, contractual or private) social security or insurance scheme (e.g., pension or savings plan, casualty and life insurance, health and maternity care, and severance pay or unemployment insurance) established for the employee in which the employer (and, in many cases, to a lesser extent, the employee and the government) are required to contribute. Other non-wage benefits are usually discretionary and vary from country to country with the most common examples being the provision of employee training and education programs and certain plant facilities and services (e.g., cafeteria, medical clinic, day care center, recreational facilities, transportation, or housing). Production and attendance bonuses are also common in the apparel industry. In some countries (especially in Latin America), year-end Christmas bonuses (up to one-month's pay) are common.

Required employer contributions to social insurance schemes are usually clearly defined as a percentage of payroll, but represent deferred payments to the worker. In contrast, vacation and holiday pay and bonus payments directly augment a worker's current income. For other benefits (such as provision of plant facilities and services), it is more difficult to evaluate how these affect a worker's income. In many countries, contribution evasion may be widespread or low-wage workers may be excluded from social insurance schemes due to minimum firm size.

In some countries examined, the government provides family allowances or other direct welfare payments or subsidies to low income families. Income tax income thresholds are usually set high enough to exempt many low-wage workers. The extent to which a government participates in social security or insurance schemes or provides assistance laidoff workers varies widely from country to country.

Poverty Line

Most poverty measures which are available for individual countries are either (1) official or other estimates of absolute poverty thresholds, usually based on the cost of some specified set of basic needs and expressed as an income, consumption, or expenditure threshold in national currency terms or as the percentage of the population below the threshold; or (2) poverty measures for a country which are produced by the World Bank or UNDP and estimate the percentage of the population with income below US$1 or US$2 per person per day, in terms of 1985 purchasing power parity adjusted US$. Israel and Italy are the only countries examined that have officially adopted a relative poverty measure (50 percent of median net income). In general, since poverty estimates usually require collection of information on income, consumer expenditures, and prices, estimates are often made less frequently (every three to five years) than for earnings estimates (monthly or annually). Rapidly unfolding economic events with both national and international consequences (such as the recent Asian financial crisis) may not be reflected in these less timely measures.

For various reasons, 14 of the 36 countries examined have not established an official national poverty line. Some type of poverty estimate—official or unofficial—is available for each of the countries considered except for Macau, Singapore, and the United Arab Emirates. Estimates of a national poverty line (absolute level) were not available for the Dominican Republic (though the percentage of the population below the line is) or for Canada, Spain, or the United Kingdom (though international poverty measures are). International poverty measures (in purchasing power parity adjusted US$) are not available for 8 countries

(Cambodia, El Salvador, Hong Kong, Israel, Mauritius, South Korea, Taiwan, and Turkey).

Nation-specific poverty lines, often with separate urban and rural measures, are useful for individual country analysis, but cannot be compared with those from other countries since the basis for establishing the poverty line usually differs across countries. In some cases, it is not clear to what extent, if at all, government transfer payments, employer provided non-wage benefits, and other sources of income have been taken into account in establishing the national poverty line. In general, countries with a higher level of development (and price structure) will usually have higher poverty thresholds that reflect a wider mix, choice, and availability of goods and services. Estimates based on international poverty lines, which are adjusted for purchasing power parity, are comparable over space and time, but do not necessarily reflect the same degree of need across countries since interpersonal welfare comparisons are not possible. Available national poverty lines (poverty thresholds in national currency) are summarized in Table I-3, the percentage of the population below the national and international poverty lines are summarized in Table I-4, and comparisons of international poverty measures are made in Table I-5.

<u>Meeting Workers' Needs</u>

For the countries considered, there appears to be little conclusive evidence on the extent to which wages and non-wage benefits in the footwear and apparel meet workers' basic needs. As has been noted above, the prevailing or average wage in the manufacturing sector as well as in the footwear and apparel industries generally tends to be greater than the minimum wage (if one has been set). Many countries take into consideration the poverty threshold (if one has been established), among other things, in setting and adjusting the minimum wage. While in many cases the minimum wage is supposed in theory to meet a worker's basic needs, the level at which it is actually set usually represents a political compromise or a balance between meeting those needs and economic conditions and the employer's ability to pay. In assessing the adequacy of wages, decisions must be made on whether one wage earner should be able to support (meet the basic needs of) his/her family (support for how many dependents); how much is enough (poverty measures usually tell us how much is too little); whether income from other sources (investments, savings, or in-kind or non-cash payments) should be included in determining disposable income; and whether one's position in the life-cycle should be considered. As with the construction of poverty measures, opinions vary widely on these questions, especially with regard to the treatment and valuation of health care and insurance, housing, and child care expenses.

Only one country (the Philippines) considered here has established a commission to examine the issue of a living wage. In the United States, the Census Bureau has published alternative poverty measures, and the federal government is reexamining its official poverty definition which has been in use for over 30 years, with annual adjustments only for inflation. Several private sector groups have constructed estimates of a living wage for workers in a few countries (e.g., the United States and Indonesia), but such studies are not generally available for most other countries.

Table I-6 presents available information on the national poverty line, the minimum wage, and the prevailing or average wage in the footwear and apparel industries for the countries examined. To the extent possible, adjustments have been made to make the series temporally comparable (i.e., on a per day or month basis, but not necessarily for the same year), but even comparisons of these measures for a country should be viewed with extreme caution and as only indicative of orders of relative magnitude rather than in terms of precise differences. Again, cross-country comparisons are not meaningful due to differences in definition, scope, and coverage. For several countries where data are available, the minimum wage (and in a few more countries, the prevailing wage in the footwear or apparel industries) may yield an income above the national poverty threshold for an individual (and perhaps one dependent, but not for a family of 4 or 5 with one wage-earner). The answer as to whether this wage is a "living wage" is likely to lie in the eye of the beholder.

Table I-1. Minimum Wage Setting and the Number of Hours in a Standard Workweek in Selected Countries

(minimum wage rates in domestic currencies and U.S. dollars and hours in standard workweek)

Countries with a National Minimum Wage	**Countries with a Minimum Wage set by industry, occupation, skill level, or geographic area**	**Countries with No Minimum Wage**
Brazil R$136/mo (US$81/mo) Workweek: 44 hrs/wk	Bangladesh—by industry, occupation, and skill level Tk600-3,500/mo (US$12.35-76.00/mo) Workweek: 48 hrs/wk	Hong Kong—except for foreign domestic workers HK$3,860/mo (US$500/mo) Workweek: none
Colombia C$7,881.3/day (US$5.07/day) Workweek: 48 hrs/wk	Cambodia—for apparel sector only CR152,000/mo (US$40/mo) Workweek: 48 hrs/wk	Macau none Workweek: 48 hrs/wk
Egypt £E116/mo (US$34/mo) Workweek: 42 hrs/wk	Canada—by province or territory C$5.00-7.15/hr (US$3.35-4.80/hr) Workweek: 40-48 hrs/wk	Malaysia none Workweek: 48 hrs/wk
Israel 45 percent of the national average gross monthly wage; NIS2,560/mo in 1998 (US$675/mo) Workweek: 47 hrs/wk	China—by province, autonomous region, or municipality ¥100-320/mo (US$12-39/mo) Workweek: 40 hrs/wk	Singapore none Workweek: 44 hrs/wk
Peru S/.345/mo (US$100/mo) Workweek: 48 hrs/wk	Costa Rica—by occupation C73,258/mo [industry] (US$266/mo) Workweek: 40 hrs/wk	United Arab Emirates none Workweek: 48 hrs/wk
South Korea W1,525/hr (US$1.27/hr) Workweek: 44 hrs/wk	Dominican Republic—by size and type of industrial activity RD$1,932/mo [free trade zones] (US$120.75/mo) Workweek: 44 hrs/wk	
Spain Ptas2,309/day (US$15.92/day) Workweek: 40 hrs/wk	El Salvador—by geographic area and industrial activity C42/day [industry] (US$4.81/day) Workweek: 44 hrs/wk	
Taiwan NT$15,840/mo (US$476/mo) Workweek: 48 hrs/wk	Guatemala—by industrial sector Q21.68/day [industry] (US$3.16/day) Workweek: 44 hrs/wk	
Turkey TL93.60 mil/mo (US$291/mo) Workweek: 45 hrs/wk	Honduras—by geographic area and industrial sector L46.80/day [industry] (US$3.34/day) Workweek: 44 hrs/wk	
United Kingdom £2.72/hr (US$4.39/hr) Workweek: 48 hrs/wk*	India—by state by industry and skill level Rs9.25-80.35/day (US$0.24-2.09/day) Workweek: 48 hrs/wk	
United States—also by state National: US$5.15/hr States: none-US$6.50/hr Workweek: 40 hrs/wk	Indonesia—by geographic region Rp130,000-290,000/mo (US$15.12-33.72/mo) Workweek: 40 hrs/wk	
	Italy— by sectoral collective bargaining Lit1,615,000-2,458,000/mo (US$949.44-1,445.03/mo) Workweek: 40 hrs/wk	
	Jamaica—by skill or occupation J$20/hr [general workers] (US$0.55/hr) Workweek: 40 hrs/wk	
	Mauritius—by industrial sector MRs348.36/wk [export processing zones] (US$13.90/wk) Workweek: 45 hrs/wk	
	Mexico—by geographic area and occupation M$29.70-34.45/day (US$3.02-3.24/day) Workweek: 48 hrs/wk	
	Nicaragua—by industrial sector C$600/mo [industry] (US$52/mo) Workweek: 48 hrs/wk	
	Pakistan—for unskilled workers only PRs1,950/mo (US$38/mo) Workweek: 54 hrs/wk	
	Philippines—by geographic region P198/day [Metro Manila] (US$5/day) Workweek: 48 hrs/wk	
	Sri Lanka—by industrial sector and skill level Garments: SLRs2000-2575/mo (US$29.00-37.30/mo) Footwear: SLRs1500-2050/mo (US$21.70-29.70/mo) Workweek: 45 hrs/wk	
	Thailand—by geographic region B139-162/day (US$3.58-4.18/day) Workweek: 48 hrs/wk	

Note: Hours of work in a standard workweek are paid at the normal wage rate; hours of work beyond the number in a standard workweek (overtime) are usually paid at higher rates of pay.
* = absolute limit on number of hours worked per week, including overtime.

Table I-2. Prevailing or Average Wages in the Manufacturing Sector and in the Footwear and Apparel Industries in Selected Countries, Latest Available Year

(in national currencies and U.S. dollars)

Country	Year	All Manufacturing	Apparel	Footwear
Bangladesh	1992	Tk23.00-59.87/day (US$0.59-1.54/day)	Tk32.41-36.3.8/day (US$0.83-0.93/day)	Tk147.54/day (skilled only) (US$4.65/day)
	1996-97	...	Tk69-81/day (US$1.42-1.67)	...
Brazil	1994	R$793 mil/mo (US$1,241/mo)	R$373 /mo (inc footwear) (US$81/mo)	...
	1999	...	R$300-500/mo (US$160-270/mo)	...
Cambodia	1999	...	CR152,000-266,000/mo (US$40-70/mo)	...
Canada	1997	C$16.9/hr (US$12.17/hr)	C$10.6/hr (US$7.63)	C$11.3/hr (US$8.16/hr)
	1998 (Nov)	...	C$9.92/hr; C$10.08/hr, inc OT (US$6.65/hr; US$6.75/hr)	...
China	1997	¥494.42/mo (US$145.93/mo)	¥647.0/mo (females only) (US$190.97/mo)	¥388.5-533.9/mo (US$114.67-157.59/mo)
Colombia	1995	C$326,421/mo (US$358/mo)	C$176,961/mo (US$194/mo)	C$197,182/mo (US$216/mo)
Costa Rica	1997	C75,672/mo (US$325/mo)	C61,055/mo (US$262/mo)	C69,600/mo (US$299/mo)
	1999	C85,258/mo (US$310/mo)	...	...
Dominican Republic	1997	RD$21.6/hr (US$1.51/hr)	...	...
Egypt	1995	£E84/wk (US$16.67/wk)	£E45/wk (US$8.93/wk)	£E54/wk (US$10.72/wk
	1999	...	£E4,476/yr (inc footwear) (US$1,312/yr)	...
El Salvador	1996	C7.50/hr (US$0.86)	C7.33-7.72/day (inc footwear) (US$0.84-0.88/day)	...
	1997	...	C1,600/mo (US$183/mo)	...
Guatemala	1997	Q1,430/mo (US$236/mo)	...	...
	1999	...	Q35/day (maquilas) (US$6.11/day)	...
Honduras	1999	...	Two to three times the minimum wage (maquilas)	...
Hong Kong	1998	HK$336.0/day (US$43.38/day)	HK$250.5/day (US$32.34/day)	HK$191.9/day [1992] (US$24.79/day)
India	1995	Rs1,211.0/mo (US$37/mo)	Rs1,196.4/mo (inc footwear) (US$37/mo)	...
	1999	...	Rs35-150/day (US$0.83-3.55/day)	Rs30-110/day (US$0.71-2.60/day)
Indonesia	1999	...	RP130,000-290,000/mo (US$15.12-33.72/mo) [the minimum wage]	25 percent higher than the minimum wage
Israel	1997	NIS6,733/mo (US$1,952/mo)	NIS20.0/hr (US$5.80/hr)	NIS23.0/hr (US$6.67/hr)
	1998	...	NIS4,313/mo (US$1,135/mo)	NIS3,976/mo (US$1,046/mo)

Italy	1997	Lit28,528/hr [total compensation] (US$16.75/hr)	Lit20,169/hr [1996; total comp]] (US$13.07/hr)	Lit21,531/hr [1996; total comp] (US$13.95/hr)
	1998	...	Lit26,662,000/yr (US$15,358.29/yr)	Lit26,766,000/yr (US$15,418.20/yr)
Country	**Year**	**All Manufacturing**	**Apparel**	**Footwear**
Jamaica	1992	J$895/wk (US$39/wk)	...	...
	1999	...	US$1,800-5,000/yr	...
Macau	1997	P3,323/mo (US$416/mo)	P4,465/mo (US$559/mo)	P3,601/mo (US$451/mo)
	1998	...	P4,096/mo (US$529/mo)	P3,252/mo (US$420/mo)
Malaysia	1995	RM1,002/mo (US$400/mo)	RM742/mo (US$296/mo)	RM807/mo (US$322/mo)
Mauritius	1997	MRs148.74/day (US$7.23/day)	MRs132.00/day (US$6.42/day)	MRs137.92/day (US$6.71/day)
	1998	MRs6,403/mo (US$256/mo)	MRs6,452/mo (US$258/mo)	MRs9,210/mo (US$368/mo)
Mexico	1997	M$12.10/hr (US$1.53/hr)	M$6.40/hr [1996] (US$0.84/hr)	M$7.85/hr [1996] (US$1.03/hr)
	1998	...	US$358.47-2,537.88/mo	US$976.29-3,828.90/mo
Nicaragua	1997	C$2,724/mo (US$288/mo)	...	...
Pakistan	1994	PRs1,956/mo (US$64/mo)	PRs1,932/mo (inc footwear) (US$63/mo)	...
Peru	1997	S/.24.45/day (US$9.18/day)	S/.15.13/day (US$5.68/day)	S/.16.09/day (US$6.04/day)
	1999	...	S/.345/mo [the minimum wage] (US$100/mo)	S/.345/mo [the minimum wage] (US$100/mo)
Philippines	1995	P6,654/mo (US$259/mo)	P4,692/mo (US$182/mo)	P3,505/mo (US$136/mo)
	1999	...	P198/day [Metro Manila] (US$5/day) [the minimum wage]	P198/day [Metro Manila] (US$5/day) [the minimum wage]
Singapore	1997	S$2,486.7/mo (US$1,675/mo)	S$1,477.3/mo (inc footwear) US$995/mo	...
South Korea	1997	W1,326.2/mo (US$1,394.1/mo)	W892,400/mo (US$938.1/mo)	W952,900/mo (US$1,001.7/mo)
	1999	...	W872,349/mo (US$727/mo)	W1,118,027/mo (US$932/mo)
Spain	1997	Ptas1,372/hr (US$9.37/hr)	Ptas903/hr (US$6.17/hr)	Ptas932/hr (US$6.37/hr)
	1998	Ptas225,808 (US$1,486/mo)	Ptas232,367/mo (US$1,529/mo)	...
Sri Lanka	1997	SLRs18.15/hr (US$0.31/hr)	...	...
Taiwan	1997	NT$169.48/hr [total compensation] (US$5.89/hr)	NT$109.82/hr [1996; total comp] (US$4.00/hr)	NT$132.37/hr [1996; total comp] (US$4.82/hr)
	1998 (Oct)	NT$32,669/mo (US$981.72/mo)	NT$24,676/mo (US$741.53/mo)	NT$22,943/mo (US$689.45/mo)
Thailand	1997	B5,935/mo (US$189/mo)	B4,352/mo [1995] (US$175/mo)	B4,046/mo [1995] (US$162/mo)
	1999	...	B52,560/yr (inc footwear) (US$1,273/yr)	...
Turkey	1996	TL757,277/day (US$9.30/day)	TL660,045/day (US$8.11/day)	...
	1999	...	TL804 thous/hr (inc textiles&benefits) (US$2.50/hr)	TL170 mil/mo (priv sect, inc benefits) (US$528/mo)
United Arab Emirates		NA	NA	NA

United Kingdom	1997	£8.53/hr (US$13.97/hr)	£5.42/hr (US$8.88/hr)	£6.02/hr (US$9.86/hr)
	1999	...	£140.40/wk (US$226.75)	£140.40/wk (US$226.75)
United States	1998	US$13.49/hr	US$8.52/hr	US$8.93/hr (leather) US$10.06/hr (rubber)

Source: See individual country summaries in Part II.

Table I-3. The National Poverty Line in Selected Countries, Official Thresholds and Other Estimates, Most Recent Year

(in national currencies and U.S. dollars)

Country	Official Poverty Threshold	Other Estimated Poverty Thresholds
Bangladesh	Tk550/cap/mo [1995-96] (US$11.32/cap/mo)	...
Brazil	None	R$45/cap/mo [c.1998-99] (US$25/cap/mo)
Cambodia	None	CR1,210-1,819/cap/day [1997] (US$0.44-0.66/cap/day)
Canada	None	None
China	¥500/cap/yr [1998] (US$60/cap/yr)	¥165-220/cap/mo [1998] (US$20.50-26.50/cap/mo)
Colombia	By government estimates, the price of a family shopping basket is 2.4 times the minimum wage [1999] C$567,456/hld/mo (US$365/hld/mo)	...
Costa Rica	NA	US$100/hld of 5/mo [1999]
Dominican Republic	NA	...
Egypt	None	£E1,354-1,795/cap/yr [1984] (US$929-1,231/cap/yr)
El Salvador	Urban: C1,295-2,590/hld of 4.3/mo [1999] (US$148-296/hld of 4.3/mo) Rural: C904-1,808/hld of 5.9/mo [1999] (US$103-206/hld of 5.9/mo)	C2,237-2,620/hld of 4.2/mo [1998] (US$255-299/hld of 4.2/mo)
Guatemala	Q1,156-2,109/hld of 5.38/mo [1998] (US$169-308/hld of 5.38/mo)	...
Honduras	NA	L69.10/hld of 5/day [1997] (US$5.06/hld of 5/day)
Hong Kong	None	HK$9,000/hld/mo [1998] (US$1,150/hld/mo) HK$3,000/cap/mo [1997] (US$387/cap/mo) HK$2,500/cap/mo [1996] (US$323/cap/mo)
India	Urban: Rs264/cap/mo [1993/94 prices] (US$6.24/cap/mo) Rural: Rs229/cap/mo [1993/94 prices] (US$5.41/cap/mo)	...
Indonesia	Urban: Rp38,246/cap/mo [1996] (US$16.32/cap/mo) Rural: Rp27,413/cap/mo [1996] (US$11.70/cap/mo) Urban: Rp52,470/cap/mo [1998] (US$6.11/cap/mo) Rural: Rp41,588/cap/mo [1998] (US$4.84/cap/mo)	...
Israel	50 percent of median net income NIS1,315/cap/mo [1997] (US$381/cap/mo) NIS3,366/hld of 4/mo [1997] (US$976/hld of 4/mo)	...

Country	Official Poverty Threshold	Other Estimated Poverty Thresholds
Italy	Lit663,270/cap/mo [1997] (US$390/cap/mo) Lit1,788,388/hld of 4/mo [1997] (US$1,051/hld of 4/mo)	...
Jamaica	J$126,922/hld of 5/yr [1997] (US$3,567/hld of 5/yr)	...
Macau	None	...
Malaysia	RM425/hld of 4.6/mo--peninsular [1995] (US$170/hld of 4.6/mo) RM601/hld of 4.8/mo--East Malaysia [1995] (US$240/hld of 4.8/mo)	...
Mauritius	None	MRs6,000/mo [1999] (US$250/mo)
Mexico	M$5,041/hld of 4.6/mo [1999] (US$512/hld of 4.6/mo)	M$3,000/hld/mo [c.1998-99] (US$305/hld/mo)
Nicaragua	C$1,200/hld of 4/mo [1999] (US$400/hld of 4/mo)	...
Pakistan	None	PRs332/cap/mo [1998] (US$6.39/cap/mo)
Peru	S/.157/mo [1997] (US$47/mo)	...
Philippines	P11,388/cap/yr [1997] (US$315/cap/yr)	...
Singapore	None	...
South Korea	W218,000/mo [1994] (US$182/mo)	...
Spain	None	...
Sri Lanka	None	SLRs717-861/cap/mo [1995-96] (US$10.40-12.48/cap/mo) SLRs1,000/hld/mo [1999] (US$14.50/hld/mo)
Taiwan	60 percent of average per capita expenditures NT$7,110-11,443/cap/mo [1999] (US$214-344/cap/mo)	...
Thailand	B906/cap/mo [1998] (US$22/cap/mo)	...
Turkey	None	TL264 mil/4hld/mo [1999] (US$820/4hld/mo)
United Arab Emirates	None	...
United Kingdom	None	...
United States	US$8,316/unrelated individual/yr [1998] US$16,660/family of 4/yr [1998]	...

Note: Poverty thresholds are not necessarily comparable across countries due to national differences in concepts, definitions, and measures.
Source: See individual country summaries in Part II for further information.

Table I-4. Percent of Population Below the National and International Poverty Line in Selected Countries

Country	NATIONAL POVERTY LINE Survey Year (ILO)	Rural (ILO)	Urban (ILO)	National (ILO)	Survey Year (WB)	Rural (WB)	Urban (WB)	National (WB)	National 1989-94 (UNDP)	INTERNATIONAL POVERTY LINE US$1/day (1985PPP$) (WB)	US$2/day (1985PPP$) (WB)	US$1/day (1985PPP$) 1989-94 (UNDP)	US$14.40 a day (1985PPP$) (UNDP)	50 Percent of Median Income 1989-94 (UNDP)
Bangladesh	1990 1980	53 74	34 66	50 73	1995-96 1991-92	39.8 46.0	14.3 23.3	35.6 42.7	48.0	..	..	28.5	..	..
Brazil	1990 1980	63 47	43 15	48 25	1990	32.6	13.1	17.4	17.0	23.6 (1995)	43.5 (1995)	28.7	..	..
Cambodia	..	..	..	..	1997 1993-94	40.1 43.1	21.1 24.8	36.1 39.0	..	..	..	..	..	..
Canada	..	..	..	..	..	..	..	..	..	0.3	0.4	<<<(1991)>>>	5.9	11.7
China	1990 1980	12 24	<1 2	20 9	1996 1994	7.9 11.8	<2 <2	6.0 8.4	11.0	22.2 (1995)	57.8 (1995)	29.4	..	..
Colombia	1990 1980	68 45	43 40	-- --	1992 1991	31.2 29.0	8.0 7.8	17.7 16.9	19.0	7.4 (1991)	21.7 (1991)	7.4	..	..
Costa Rica	1990 1980	28 17	27 10	28 13	..	..	..	..	11.0	18.9 (1989)	43.8 (1989)	18.9	..	..
Dominican Republic	1990 1980	78 43	-- 45	-- 44	1992 1989	29.8 27.4	10.9 23.3	20.6 24.5	21.0	19.9 (1989)	47.7 (1989)	19.9	..	..
Egypt	1990 1980	21 19	29 26	-- --	..	..	..	..	..	7.6 (1990-91)	51.9 (1990-91)	7.6	..	..
El Salvador	1990 1980	56 76	43 --	48 --	1992	55.7	43.1	48.3	38.0	..	..	..	..	..
Guatemala	1990 1980	87 74	62 66	-- --	..	..	..	..	58.0	53.3 (1989)	76.8 (1989)	53.3	..	..
Honduras	1990 1980	84 55	71 14	78 37	1992	46.0	56.0	50.0	53.0	46.9 (1992)	75.7 (1992)	46.5	..	..
Hong Kong	..	..	..	..	..	..	..	..	..	..	..	..	..	..
India	1990 1980	48 51	34 40	-- 48	1994 1992	36.7 43.5	30.5 33.7	35.0 40.9	..	47.0 (1994)	87.5 (1994)	52.5	..	..
Indonesia	1990 1980	14 44	17 26	15 39	1990 1987	14.3 16.4	16.8 20.1	15.1 17.4	8.0	7.7 (1996)	50.4 (1996)	14.5	..	..
Israel	..	..	..	..	..	..	..	..	..	..	..	(1997)>>>>	..	16.2
Italy	..	..	..	..	..	..	..	..	..	..	..	(1991)>>>>	2	6.5
Jamaica	1990 1980	18 51	4 --	12 --	1992	..	..	34.2	32.0	4.3 (1993)	24.9 (1993)	4.7	..	..
Macau	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	1990 1980	19 37	7 13	17 29	1989	--	--	15.5	16.0	4.3 (1995)	22.4 (1995)	5.6	..	..
Mauritius	1980	12	12	12	1992	--	--	10.6	11.0	..	..	..	..	..
Mexico	1990 1980	55 54	37 36	44 43	1988	--	--	10.1	34.0	14.9 (1992)	40.0 (1992)	14.9	..	..
Nicaragua	1990 1980	76 19	32 21	50 20	1993	76.1	31.9	50.3	50.0	43.8 (1993)	74.5 (1993)	43.8	..	..
Pakistan	1990 1980	-- 30	-- 23	-- --	1991	36.9	28.0	34.0	34.0	11.6 (1991)	57.0 (1991)	11.6	..	..
Peru	1990 1980	72 80	52 38	60 53	1997 1994	64.7 67.0	40.4 46.1	49.0 53.5	32.0	..	..	49.4	..	..
Philippines	1990 1980	52 59	37 45	45 54	1997 1994	51.2 53.1	22.5 28.0	37.5 40.6	41.0	26.9 (1994)	62.8 (1994)	27.5	..	..
Singapore	..	..	..	..	..	..	..	..	..	..	..	..	..	..
South Korea	1980	9	10	10	..	..	..	..	..	..	..	..	..	..
Spain	..	..	..	..	..	..	..	..	..	0.3	0.5	<<<(1990)>>>	21.1	10.4
Sri Lanka	1990 1980	32 23	12 16	27 20	1990-91 1985-86	38.1 45.5	28.4 26.8	35.3 40.6	22.0	4.0 (1990)	41.2 (1990)	4.0	..	..
Taiwan	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Thailand	1990 1980	34 33	15 22	-- --	1992 1990	15.5 --	10.2 --	13.1 18.0	13.0	<2 (1992)	23.5 (1992)	0.1	..	..
Turkey	1990	14	--	--	..	..	..	..	..	..	..	..	..	..
United Arab Emirates	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	..	..	..	..	..	..	..	..	..	0.5	0.6	<<<(1991)>>>	13.1	13.5
United States	..	..	..	..	..	..	..	..	..	1.1	1.5	<<<(1994)>>>	14.1	19.1

Note: The proverty rates based on national poverty lines are derived from a host of studies, mostly country studies that used a common methodology and similar poverty lines. They are, therefore, generally comparable over time, and between rural and urban areas, but possibly not between countries. The poverty rates based on national poverty lines represent the percentage of the population (rural, urban, or national) that is below the poverty line, except for El Salvador, Malaysia, and the Philippines where they represent the percentage of households rather than population. The international poverty line of US$14.40 a day per person (in 1985 purchasing power parity adjusted US$) is equivalent to the official U.S. poverty line for a single person. Under the EU and OECD standard, poverty line is set at 50 percent of the median adjusted disposable personal income; estimate for Israel supplied by U.S. Embassy-Tel Aviv.

Sources: International Labour Organization (ILO), *World Labour Report 1997-98*, Table 6: GDP, Population and Poverty; Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996); World Bank (WB), *World Development Indicators 1999*, Table 2.7: Poverty, pp. 66-68; United Nations Development Programme (UNDP), *Human Development Report 1998*, Human Development Indicators, Tables 7 and 27, Human Poverty Profile and Index, pp. 146-147; 186; UNDP, *Human Development Report 1999*, Tables 4 and 5, pp. 146-149; Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from the Luxembourgh Income Study (LIS)*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997).

Table I-5: Percentage of National Population Below International Poverty Lines in Selected Countries

Percentage of National Population Below the Poverty Line	International Absolute Poverty Line: US$1/person/day (1985PPP$)	International Absolute Poverty Line: US$2/person/day (1985PPP$)	International Absolute Poverty Line: US$14.40/person/day (1985PPP$) [equivalent to the U.S. poverty line]	Relative Poverty Line: 50% of Median Income
80-90		India		
70-79		Guatemala, Honduras, Nicaragua		
60-69		Philippines		
50-59	Guatemala	China, Egypt, Indonesia, Pakistan		
40-49	Honduras, India, Nicaragua, Peru	Brazil, Costa Rica, Dominican Republic, Mexico, Sri Lanka		
30-39				
20-29	Bangladesh, Brazil, China, Philippines	Colombia, Jamaica, Malaysia, Thailand	Spain	
10-19	Costa Rica, Dominican Republic, Mexico, Pakistan		United Kingdom, United States	Canada, Israel, Spain, United Kingdom, United States
1-9	Colombia, Egypt, Indonesia, Jamaica, Malaysia, Sri Lanka, United States	United States	Canada, Italy	Italy
<1	Canada, Spain, Thailand, United Kingdom	Canada, Spain, United Kingdom		
Not Available	Cambodia, El Salvador, Hong Kong, Israel, Italy, Macau, Mauritius, Singapore, South Korea, Taiwan, Turkey, United Arab Emirates	Bangladesh, Cambodia, El Salvador, Hong Kong, Israel, Italy, Macau, Mauritius, Peru, Singapore, South Korea, Taiwan, Turkey, United Arab Emirates	31 other countries	30 other countries

Source: See Table I-4.

Table I-6. National Poverty Lines and Minimum and Prevailing Wages in the Footwear and Apparel Industries in Selected Countries, Latest Available Year

(in national currencies and U.S. dollars)

Country	National Poverty Line	Current Minimum Wage Applicable to Workers in the Footwear and Apparel Industries	Prevailing Wage in the Footwear and/or Apparel Industries
Bangladesh	Tk550/cap/mo [1995-96] (US$11.32/cap/mo)	Tk600-3,500/mo (US$12.35-76.00/mo)	Tk69-81/day [1996/97] (US$1.42-1.67/day or US$36.51-42.51/mo)
Brazil	R$45/cap/mo [c.1998-99] (US$25/cap/mo)	R$136/mo (US$81/mo)	R$300-500/mo [1999] (US$160-270/mo)
Cambodia	CR1,210-1,819/cap/day [1997] (US$0.44-0.66/cap/day or US$13.38-20.08/cap/mo)	CR152,000/mo (US$40/mo)	CR152,000-266,000/mo [1999] (US$40-70/mo)
Canada	NA	C$5.00-7.15/hr (US$3.35-4.80/hr)	C$10.08/hr [1998] (US$6.75/hr)
China	¥165-220/cap/mo [1998] (US$20.50-26.50/cap/mo)	¥100-320/mo (US$12-39/mo)	¥388.5-647.0/mo [1997] (US$114.67-190.97/mo)
Colombia	C$567,456/hld/mo [1999] (US$364.76/hld/mo)	C$7,881.3/day (US$5.07/day or US$132.23/mo)	C$176,861-197,182/mo [1995] (US$194-216/mo)
Costa Rica	US$100/hld of 5/mo [1999]	C73,258/mo (US$266/mo)	C61,055-69,600/mo [1997] (US$262-299/mo)
Dominican Republic	NA	RD$1,932/mo (US$120.75/mo)	RD$21.6/hr (all manuf) [1997] (US$1.51/hr or US$315.05/mo)
Egypt	£E1,354-1,795/cap/yr [1984] (US$929-1,231/cap/yr	£E116/mo (US$34/mo or US$408/yr)	£E4,476/yr [1999] (US$1,312/yr or US$109.33/mo)
El Salvador	Urban: C1,295-2,590/hld4.3/mo (US$148-296/hld4.3/mo) [1999] Rural: C904-1,808/hld5.9/mo US$103-206/hld5.9/mo) [1999]	C42/day (US$4.81/day or US$125.44/mo)	C1,600/mo [1997] (US$183/mo)
Guatemala	Q67.50/5.38hld/day [1998] (US$11.07/hld5.38/day)	Q21.68/day (US$3.16/day)	Q35/day [1999] (US$6.11/day)
Honduras	L69.10/5hld/day [1997] (US$5.06/hld5/day)	L46.80/day (US$3.34/day)	L93.60-140.40/day [1999] (US$6.86-10.03/day)
Hong Kong	HK$9,000/mo [1998] (US$1,150/mo)	HK$3,860/mo—for foreign domestic workers only (US$500/mo)	HK$250.50/day [1998] (US$32.34/day or US$843.43/mo)
India	Rs228.9-264.1/cap/mo [1993/94prices] (US$5.41-6.24/cap/mo)	Rs9.25-80.35/day (US$0.24-2.09/day or US$6.26-54.51/mo)	Rs30-150/day [1999] (US$0.71-3.55/day or US$18.52-92.58/mo)
Indonesia	Rp41,588-52,470/cap/mo [1998] (US$4.84-6.11/cap/mo)	Rp130,000-290,000/mo (US$15.12-33.72/mo)	Rp130,000-362,500/mo [1999] (US$15.12-42.06/mo)
Israel	NIS1,315/cap/mo [1997] (US$381/cap/mo) NIS3,366/hld4/mo (US$976/hld4/mo)	NIS2,560/mo [1998] (US$675/mo)	NIS3,976-4,313/mo [1998] (US$1,046-1,135/mo)
Italy	Lit663,270/cap/mo [1997] (US$389.93/cap/mo) Lit1,788,388/hld4/mo (US$1,051.37/hld4/mo)	Lit1,615,000-2,458,000/mo (US$949.44-1,445.03/mo)	Lit26,662,000-26,766,000/yr [1998] (US$15,358.29-15,418.20/yr or US$1,279.86-1,284.85/mo)

Country	National Poverty Line	Current Minimum Wage Applicable to Workers in the Footwear and Apparel Industries	Prevailing Wage in the Footwear and/or Apparel Industries
Jamaica	J$126,922/hld5/yr [1997] (US$3,567/hld5/yr)	J$20/hr (US$0.55/hr or US$1,377.20/yr)	US$1,800-5,000/yr [1999]
Macau	NA	none	P3,252-4,096/mo [1998] (US$420-529/mo)
Malaysia	RM425/hld4.6/mo [1995] (US$169.58/hld4.6/mo)	none	RM742-807/mo [1995] (US$296-322/mo)
Mauritius	MRs6,000/mo [1999] (US$250/mo)	MRs348.36/wk (US$13.90/wk or US$55.60/mo)	MRs6,452-9,210/mo [1998] (US$258-368/mo)
Mexico	M$36.53/cap/day [1999] (US$3.71/cap/day)	M$29.70-34.45/day (US$3.02-3.24/day)	M$6.40-7.85/hr [1996] (US$0.84-1.03/hr or US$6.72-8.24/day)
Nicaragua	C$1,200/hld/mo [1999] (US$400/hld/mo)	C$600/mo (US$52/mo)	C$2,724/mo (all manuf) [1997] (US$288/mo)
Pakistan	PRs332/cap/mo [1998] (US$6.39/cap/mo)	PRs1,950/mo (US$38/mo)	PRs1,932/mo [1994] (US$63/mo)
Peru	S/.157/mo [1997] (US$47/mo)	S/.345/mo (US$100/mo)	S/.345/mo [1999] (US$100/mo)
Philippines	P11,388/cap/yr [1997] (US$315/cap/yr or US$0.86/cap/day)	P198/day (Metro Manila) (US$5/day)	P198/day (Metro Manila) [1999] (US$5/day)
Singapore	NA	none	S$1,477.3/mo [1997] (US$995/mo)
South Korea	W218,000/mo [1994] (US$182/mo)	W1,525/hr (US$1.27/hr or US$264.97/mo)	W872,349-1,118,027/mo [1999] (US$727-932/mo)
Spain	NA	Ptas2,309/day (US$15.92/day or US$415.19/mo)	Ptas232,367/mo [1998] (US$1,529/mo)
Sri Lanka	SLRs1,000/hld/mo [1999] (US$14.50/hld/mo)	SLRs1,500-2,575/mo (US$21.70-37.30/mo)	SRs18.15/hr (all manuf) [1997] (US$0.31/hr or US$64.68/mo)
Taiwan	NT$7,110-11,443/cap/mo [1999] (US$213.66-343.87/mo)	NT$15,840/mo (US$476/mo)	NT$22,943-24,676/mo [1998] (US$689.45-741.53/mo)
Thailand	B906/cap/mo [1998] (US$22/cap/mo)	B139-162/day (US$3.58-4.18/day or US$93.37-109.01/mo)	B52,560/yr [1999] (US$1,273/yr or US$106.08/mo)
Turkey	TL264 mil/hld4/mo [1999] (US$820/hld4/mo)	TL93.60 mil/mo (US$291/mo)	TL804 thous/hr (apparel) [1999] (US$2.50/hr or US$522/mo) TL170 mil/mo (footwear) [1999] (US$528/mo)
United Arab Emirates	NA	none	NA
United Kingdom	NA	£2.72/hr (US$4.39/hr or US$210.72/wk)	£140.40/wk [1999] (US$226.75/wk)
United States	US$8,310/unrel indiv/yr [1998] US$16,655/family of 4/yr	National: US$5.15/hr or US$10,300/yr States: none-US$6.50/hr or US$13,000/yr	US$8.52-8.93/hr or US$17,040-17,860/yr

Note: Measures are not necessarily comparable across countries due to national differences in concepts, definitions, and measures.
Source: Tables I-1; I-2; and I-3; see individual country summaries in Part II for further information.

PART II

Compendium of Country Information on Wages, Benefits, Poverty Line, and Meeting Workers' Needs

BANGLADESH[1]

MINIMUM WAGE

There is no national minimum wage in Bangladesh. However, the Minimum Wages Ordinance (Ordinance 34 of 1961), and associated rules, established a Minimum Wages Board, which the government may ask to fix the minimum wages "of any particular industry for which no adequate machinery exists for effective regulation of wages." In theory, the Board has six months from the date of a request to provide its recommendations for the government to consider. In setting the levels, the Board typically solicits input from employer and worker representatives, visits the work sites of the industry concerned, distributes questionnaires, and holds public meetings.

In November 1990, the government conveyed a request to the Minimum Wages Board to set minimum wage levels in the garment industry. In 1993, the Board made recommendations to the government, and on January 12, 1994, the government promulgated a notification of the minimum wage levels for the industry. There has been no change in these levels since that date. The notification divides employees in the garment industry into seven categories and sets monthly minimum wages for each:

- Grade I: Pattern master; chief quality controller; chief cutting master; chief mechanic: 3,500 takas (Tk) or about 76 U.S. dollars (US$), at the exchange rate of Tk48.57 equivalent to US$1.

- Grade II: Senior mechanic; cutting master: Tk2,500 or US$51.47.

- Grade III: Sample machinist; mechanic; senior sewing machine operator; senior winding machine operator; senior knitting machine operator; senior linking machine operator; senior cutter; senior quality inspector; senior marker; senior drawingman; senior line leader; senior electrician: Tk1,500 or US$30.88.

- Grade IV: Senior machine operator; winding machine operator; knitting machine operator; linking machine operator; marker; drawingman; cutter; mending operator; senior pressingman; senior finishing ironer; senior folder; senior packer: Tk1,200 or US$24.71.

- Grade V: Junior sewing machine operator; junior winding machine operator; junior knitting machine operator; junior linking machine operator; junior marker; junior drawingman; junior cutter; junior mending operator; pressingman; finishing ironer; folder; junior electrician; junior packer: Tk1,100 or US$22.65.

---

[1] Unless noted otherwise, information presented here is from American Embassy— Dhaka, unclassified telegram No. 699 (March 31, 1999).

- Grade VI: Ordinary sewing machine operator; ordinary winding machine operator; ordinary knitting machine operator; ordinary linking machine operator; ordinary mending machine operator; fusing machine operator; color tanning machine operator: Tk900 or US$18.53.

- Grade VII: Helper sewing machine operator; helper winding machine operator; helper knitting machine operator; helper linking machine operator; helper mending operator; helper cutter; helper marker; helper drawingman; pocket creasing machine operator; line ironer; helper packer; helper dry washer: Tk600 or US$12.35.

In addition to these seven categories, "trainees or apprentices" receive a monthly salary of not less than Tk500 or US$10.29. The maximum period of training is set at three months. For workers (like those in the garment industry) paid on a monthly basis, the hourly wage rate for this calculation is set at the monthly wage rate divided by 208.

Under the Factories Act, the workweek is six days of eight hours each per day. The U.S. Department of State has also reported[2] that a 60-hour workweek, inclusive of 12 hours of overtime, is permitted. Overtime hours are to be paid at double the normal wages, but the law is poorly enforced in industries such as hosiery and ready-made garments.

PREVAILING OR AVERAGE WAGE

According to the Bangladesh Statistical Bureau, in the cotton textile industry, the average daily wage rates for skilled and unskilled laborers in fiscal year 1996-97 (July 1996-June 1997) were Tk81 (US$1.67) and Tk69 (US$1.42) per day, respectively. For fiscal year 1995-96, the daily rates were Tk79 (US$1.63) and Tk68 per day (US$1.40), and in fiscal year 1994-95, Tk74 (US$1.52) and Tk63 (US$1.30), respectively.

However, there is doubt that garment industry wage rates in general meet the legal minimum wage standard. According to independent trade unionists, in the garment industry:

- it is common to pay "trainee" wages well past the maximum three months;

- employees are frequently misclassified by employers so that, for example, an employee who should be a Grade IV senior machine operator is classified as a Grade V junior machine operator, and is paid Tk1,000 per month rather than Tk1,700 per month; and

- overtime is frequently made mandatory, and compensated at rates below even the nominal straight

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1876.

hourly salary, rather than at twice the level.

In addition, it is quite common for employees to receive delayed or no pay at all from the many small and weakly capitalized employers who are struggling. While the labor laws in theory provide remedies for all of these violations, the situation in practice is quite different. There are few labor inspectors, and they are frequently corrupt and hampered by the bureaucracy which further erodes enforcement. More than eighty percent of the garment labor force is female, often with few alternatives for employment. Except when conditions become intolerable (as in prolonged nonpayment of wages), employees rarely take action, and action then is more likely to consist of impromptu work stoppages or processions rather than resort to official enforcement organs.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in Bangladesh for skilled and unskilled workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week for skilled and unskilled workers in the manufacturing sector and in the apparel and footwear industries were not available from the ILO. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing, Apparel, and Footwear

Skilled Workers:

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (Tk; 1990=100)		
	(Tk)	(US$)	(Tk)	(US$)	(Tk)	(US$)	Manuf.	Apparel	Footwear
1990	na	na	na	na	na	na	na	na	na
1991	56.11	1.53	33.55	0.92	170.22	4.65	na	na	na
1992	59.87	1.54	36.38	0.93	147.54	3.79	na	na	na
1993	na	na	na	na	na	na	na	na	na
1994	na	na	na	na	na	na	na	na	na
1995	na	na	na	na	na	na	na	na	na
1996	na	na	na	na	na	na	na	na	na
1997	na	na	na	na	na	na	na	na	na

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

Unskilled Workers:

Year	All Manufacturing (Tk)	All Manufacturing (US$)	Apparel (Tk)	Apparel (US$)	Footwear (Tk)	Footwear (US$)	Real Earnings Index (Tk; 1990=100) Manuf.	Real Earnings Index Apparel	Real Earnings Index Footwear
1990	na	na	na	na	na	na	na	na	na
1991	21.80	0.60	19.56	0.53	na	na	na	na	na
1992	23.00	0.59	32.41	0.83	na	na	na	na	na
1993	na	na	na	na	na	na	na	na	na
1994	na	na	na	na	na	na	na	na	na
1995	na	na	na	na	na	na	na	na	na
1996	na	na	na	na	na	na	na	na	na
1997	na	na	na	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998,* p. 899 - 900.

NON-WAGE BENEFITS

According to official regulations, a housing benefit amounting to 30 percent of the monthly wage rate and a monthly medical allowance of Tk150 is to be paid to each employee.

A U.S. Social Security Administration survey[4] elaborates on three different non-wage benefit programs in which employers with 10 or more employees in Bangladesh are required to participate for their employees: (1) a social insurance program, which provides sickness and maternity benefits, in which the employer pays the total cost and the government provides the hospital facilities; (2) a work injury program, started in 1923, which is an employer liability program for 34 listed occupational diseases, for which the employer pays the total cost; and (3) unemployment insurance, which has been a part of the labor code since 1965, for which the employer pays the total cost. The old age, disability, and death benefits program is a special system for public-sector employees only.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line in Bangladesh is an absolute one, calculated on the basis of the ability to purchase sufficient food. The basic poverty line is based on consumption of 2,122 calories per day. The "hardcore" poor are those who cannot afford to purchase at least 1,805 calories per day. In this calculation, an additional 30 percent expenditure is allotted for non-food items. In 1995-96, a monthly expenditure of about Tk550 (US$11.32) per person was required to be above the poverty line. Inflation, which ran at about eight percent in 1998, has increased these figures; about two-thirds of the Bangladesh consumer price index consists of food items. According to surveys, almost 50 percent of Bangladesh households fall below the

[4] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), p. 29.

poverty line. Just over 25 percent of all households fall into the hard-core poor category.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[5] reports several sets of measures of a national poverty line for Bangladesh:

- for 1981/81, 73.8 percent of the rural Bangladeshi population was below the rural poverty line of Tk192 per capita per month (expenditure needed for a daily food energy intake of 2,122 calories), 66.0 percent of the urban population was below the urban poverty line of Tk300 per capita per month (expenditure needed for a daily food energy intake of 2,122 calories), with a national poverty rate of 73.0 percent; for 1988/89, 48.0 percent of the rural and 44.0 percent of the urban population were below the monthly per capita expenditures needed for a food energy intake of 2,122 calories.[6]

- for 1983/84, 52.9 percent of the rural Bangladeshi population was below the rural poverty line of Tk268.92 per capita per month (rural cost of basic needs) and 40.9 percent of the urban Bangladeshi population was below the urban poverty line of Tk301.72 per capita per month (urban cost of basic needs), with a national poverty rate of 52.3 percent; for 1991/92, 52.9 percent of the rural population was below the rural poverty line of Tk469.13 per capita per month and 33.6 percent of the urban population was below the urban poverty line of Tk534.99 per capita per month, with a national poverty rate of 49.7 percent.[7]

---

[5] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 24-26.

[6] The estimates are referenced as originating from the Bangladesh Bureau of Statistics (BBS), *Report of the Bangladesh Household Expenditure Survey 1985/86* (Dhaka, 1988) and BBS, *Statistical Yearbook of Bangladesh* (Dhaka, 1991). The estimates are based on household expenditure surveys and use the food energy intake method to estimate the poverty line in the rural and urban sectors by determining total (food and non-food) expenditures at which the expected daily per capita calorie intake is equal to 2,122 calories. According to Martin Ravaillon, "The Challenging Arithmetic of Poverty in Bangladesh," *Bangladesh Development Studies*, Vol. 18, No. 3 (September 1990), pp.35-53, the BBS estimates appear to be based on a comparison of actual household expenditures with estimated expenditures needed to reach 2,122 calories per capita per day. BBS poverty lines, in nominal terms, appear to have been constructed by graphing mean calorie intake against mean income based on grouped data and using this graph to find the income level at which households typically attain the predetermined calorie norm. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 144.

[7] The estimates are referenced as originating from Martin Ravallion and Binayak Sen, "When Method Matters: Monitoring Poverty in Bangladesh," *Economic Development and Cultural Change*, Vol. 44, No. 4 (July 1996), pp. 761-792. The estimates are based on household expenditure surveys and use the cost of basic needs approach to estimate the poverty line in the rural and urban sectors. The cost of a normative minimum food consumption bundle providing for an average per capita daily intake of 2,112 calories and 58 grams of protein is determined using implicit unit values for food derived from the household expenditure survey (food poverty line) plus 35 percent of the food poverty line in 1983/84 for non-food essentials. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 146.

! for 1985, 56.5 percent of the Bangladeshi population was below the poverty line of US$31 per capita per month, based on 1985 purchasing power parity adjusted US$ (or Tk262).[8]

! for 1985/86, 17.0 percent of the Bangladeshi population was below the poverty line of US$30.42 per capita per month (i.e., US$1 per day), based on 1985 purchasing power parity adjusted US$; for 1988/89, 28.5 percent of the national population was under that poverty line.[9]

According to the World Bank,[10] in 1995-96, 35.6 percent of the national Bangladeshi population was below the national poverty line, with 14.3 percent of the urban population and 39.8 percent of the rural population falling below the poverty line. By comparison, in 1991-92, 42.7 percent of the national population fell below the national poverty line, with 23.3 percent of the urban population and 46.0 percent of the rural population falling below the poverty line.

A recent study[11] by the World Bank's Poverty Reduction and Economic Management Network, South Asia Region, reports that the Government of Bangladesh has adopted a new method for measuring poverty. The direct calorie intake (caloric threshold of 2,122 kilocalories per person per day) and food energy intake (expenditure level at which households are expected to reach the caloric threshold of 2,122 kilocalories per person per day) methods have been used in the past for official poverty measures, but, according to the World Bank, they are neither representative nor consistent. The cost of basic needs (expenditure level at which households can afford predetermined basic consumption needs) method, which typically is more consistent and representative, has been used by independent researchers in Bangladesh

---

[8] The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), p. 9. It is based on Bangladesh Bureau of Statistics (BBS) *Report of the Bangladesh Household Expenditure Survey 1985/86* (Dhaka, 1988) and internal World Bank data. An absolute poverty line, defined as an expenditure level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the Indian poverty line for rural areas which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US$31 after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth*, Series 34, No. 1 (March 1988), pp. 1-25. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 144-145.

[9] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[10] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p.196.

[11] World Bank, *Bangladesh: From Counting the Poor to Making the Poor Count*, Poverty Reduction and Economic Management Network (Dhaka: World Bank, South Asia Region, April 29, 1998); this report is available on the Internet at: <http://www.worldbank.org/html/extdr/offrep/sas/bangladesh-poverty/index.htm>.

and abroad; this poverty measurement method was recently adopted by the Government of Bangladesh, with assistance from the World Bank.

The World Bank report provides the following comparison of the poverty headcount measures (percentage of the population below the poverty line) using the direct calorie intake and the cost of basic needs methods:

Percentage of the Bangladeshi Population below the Poverty Line, 1983/84 to 1995/96

Method/Area	Very Poor (lower caloric threshold/lower poverty line)					Poor (upper caloric threshold/upper poverty line)				
	1983/84	1985/86	1988/89	1991/92	1995/96	1983/84	1985/86	1988/89	1991/92	1995/96
Food Energy Intake										
National	36.8	26.9	28.4	28.0	25.1	62.6	55.7	47.8	47.5	47.5
Rural	36.7	26.3	28.6	28.3	24.6	61.9	54.7	47.8	47.6	47.1
Urban	37.4	30.7	26.4	26.3	27.3	67.7	62.6	47.6	46.7	49.7
Cost of Basic Needs										
National	40.9	33.8	41.3	42.7	35.6	58.5	51.7	57.1	58.8	53.1
Rural	42.6	36.0	44.3	46.0	39.8	59.6	53.1	59.2	61.2	56.7
Urban	28.0	19.9	22.0	23.3	14.3	50.2	42.9	43.9	44.9	35.0

Note: Poverty line for the Food Energy Intake Method: lower caloric threshold is 1,800 kcal for 1983/84 and 1985/86; and 1,805 kcal for 1988/89, 1991/92, and 1995/96. The upper caloric threshold is 2,200 kcal for 1983/84 and 1985/86; and 2,122 for 1988/89, 1991/92, and 1995/96. Part of the large decrease in poverty observed for the upper caloric threshold between 1985/86 and 1988/89 is due to the lowering of the caloric threshold for 1988/89 and after. The estimates using the Food Energy Intake Method are from the Bangladesh Bureau of Statistics (BBS), *Summary Report of the Household Expenditure Survey 1995/96* (Dhaka, 1997). Poverty line for the Cost of Basic Needs Method: the food poverty line (cost of a representative, fixed food bundle defined to meet the nutritional norm of 2,122 kcal per person per day) plus either lower (less generous) or upper (more generous) allowances for non-food basic needs, based on households' actual non-food expenditures (i.e., non-food expenditures, where total per capita consumption is equal to the regional food poverty line (lower allowance) and where per capita food expenditures are equal to the regional food poverty line (upper allowance)). The estimates using the Cost of Basic Needs Method were made by World Bank staff.

Source: World Bank, *Bangladesh: From Counting the Poor to Making the Poor Count*, Poverty Reduction and Economic Management Network (Dhaka: World Bank, South Asia Region, April 29, 1998), pp. 6-7; 55-56.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Bangladesh meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the average monthly wage in Bangladesh is sufficient to provide an individual with a minimal standard of living, but is not sufficient to provide a decent standard of living for a worker and family.[12] The U.S. Embassy did not identify any studies on the living wage in Bangladesh and observed that since poverty studies indicate that half of the people in Bangladesh do not have enough to eat, a "living wage" which would allow for some additional expenditure beyond this absolute level is not often focused on.

[12] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1876.

BRAZIL[1]

MINIMUM WAGE

The Constitution of 1988 guarantees to all workers a minimum wage and requires that the minimum wage be readjusted to preserve purchasing power.[2] The federal government makes adjustments each May 1, usually taking into account the rate of inflation. Because social security payments and many salaries (particularly in state and local governments) are based upon multiples of the minimum wage, the government must also take into account the budgetary implications of a minimum wage increase.[3] The current minimum wage (as of May 1, 1999) is 136 reals (R$) a month, roughly equivalent to 81 U.S. dollars (US$).[4] Many workers, particularly outside the regulated economy and in the Northeast, reportedly earn less than the minimum wage.[5]

The real has depreciated by 50 percent against the U.S. dollar since the end of 1998 and is now floating; as a result, the real's value against the U.S. dollar fluctuates considerably from day to day. The information presented below reflects the exchange rate prevailing on March 10, 1999, R$1.87 for US$1. As the inflationary effect of this devaluation is only now beginning to take effect, workers have not seen their purchasing power seriously eroded.

The Constitution limits the workweek to 44 hours and specifies a weekly rest period of 24 consecutive hours, preferably on Sundays; all workers in the formal sector receive overtime pay for work beyond 44 hours a week, and there are prohibitions against excessive use of overtime.[6]

---

[1]Unless noted otherwise, information presented here is from American Consul—Sao Paulo, unclassified facsimile (March 11, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1988* (Washington: U.S. Government Printing Office, February 1989), p. 482.

[3] For more information on the minimum wage in Brazil, see International Labour Organization (ILO), "Minimum Wage Fixing in Brazil," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 9 (Geneva: International Labour Office, 1997), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/brasil3.htm>.

[4] Wall Street Journal, *Briefly,* (May 3, 1999) p. A14.

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

[6] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

PREVAILING OR AVERAGE WAGE

The vast majority of workers in the apparel and footwear industries work in factories. Nearly all of them receive salaries considerably higher than the minimum wage, although salaries vary considerably by region in Brazil. Average salaries range from R$300 to R$500 (approximately US$160 to US$270) a month in the apparel industry, and slightly higher in the footwear industry. In addition to this basic salary, each worker receives a bonus of one month's pay at the end of each calendar year. Workers also received other constitutionally-mandated payments which can raise the base salary roughly by 20 percent.

Many enterprises source some parts of production in the apparel and footwear industry. Some of the "microenterprises" which typically perform these services have been organized as cooperatives and may fall outside the parameters of labor law. However, out-sourcing represents a very small portion of the entire industry.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Brazil for all employees in the manufacturing sector and in the apparel and leather footwear industry. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[7] Average hours worked per week were not available from the ILO for the manufacturing sector or the apparel and footwear industry. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1993 = 100.

Average Monthly Earnings in All Manufacturing, and Apparel and Footwear

Year	All Manufacturing		Apparel & Footwear		Real Earnings Index (R$; 1993=100)	
	(R$)	(US$)	(R$)	(US$)	Manuf.	Apparel & Footwear
1990	26,076	1,050	na	na	99,038	na
1991	136,699	925	na	na	20,767	na
1992	1,562,000	952	776,000	473	1,892	1,974
1993	33,978,000	1,057	16,176,000	503	100	100
1994	793,056,000	1,241	373,067,300	584	5	5
1995	na	na	na	na	na	na
1996	na	na	na	na	na	na
1997	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 819.

[7] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

NON-WAGE BENEFITS

Non-wage benefits in the footwear and apparel industries are comparable to those in other Brazilian industries. Most non-wage benefits are mandated by the Brazilian Constitution, and the costs to employers can run from 60 to 100 percent of the monthly salary. These include: social security, one month's paid vacation, unemployment insurance, meals during working hours, and transportation. Most employers also provide health care or insurance.

A U.S. Social Security Administration survey[8] elaborates on four non-wage benefit programs in which employers in Brazil are required to participate for their employees: (1) a social insurance program, started in 1923, which covers sickness, disability, maternity, and death benefits, for which the insured person pays 8-10 percent of their earnings according to their wage level, the employer pays 20 percent of payroll, and the government pays certain ear-marked taxes to finance administrative costs and defray deficits; (2) work injury benefits, started in 1919, for which the employer pays the entire cost through premiums of 1-3 percent of payroll according to risk; (3) unemployment insurance, which began in 1965, for which the government paying the whole cost; and (4) family allowances, which is an employment -related system that began in 1941 and is funded the same as for pensions above.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Because of wide regional variations in salaries and in the cost of living, the government has no official poverty line. A recent study by the well-respected Getulio Vargas Foundation determined that the poverty level is R$45 (approximately US$25) per person per month. Most workers in the apparel industry would be above this level. However, a 1997 study by the Interunion Department for Socioeconomic Studies and Statistics estimated that the minimum wage was only slightly more than one-fourth of the amount necessary to support a family of four.[9] The Interunion study weighted urban data more heavily than did the Vargas Foundation, accounting for some of the disparity in the conclusions.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports several sets of measures of a national poverty line for Brazil:

---

[8] Social Security Administration, *Social Security Programs Throughout the World-1997* (Washington: U.S. Government Printing Office, August 1997), pp. 49-51.

[9] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 53-55.

- for 1981, 46.8 percent of the rural and 14.9 percent of the urban Brazilian population were below the poverty line of a per capita income of one-quarter of the inflation-adjusted 1980 minimum wage, with a national poverty rate of 24.8 percent; for 1987, 46.3 percent of the rural and 14.8 percent of the urban population were below the same poverty line, with a national poverty rate of 23.3 percent.[11]

- for 1979, 68.2 percent of the rural Brazilian population was below the rural poverty line of a monthly per capita budget of 13,790 nuevo cruzados[12] in second half of the year 1988 prices and 33.5 percent of the urban Brazilian population was below the urban poverty line of a monthly per capita budget of 20,970 nuevo cruzados in second half of the year 1988 prices, with a national poverty rate of 45.1 percent; for 1990, 63 percent of the rural population was below the rural poverty line and 43 percent of the urban population was below the urban poverty line, with a national poverty rate of 48 percent.[13]

- for 1979, 55.0 percent of the rural and 23.9 percent of the urban Brazilian population were below the poverty line of a monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$, with a national poverty rate of 34.1 percent; for 1989, 63.1 percent of the rural and

---

[11] The estimates are referenced as originating from M. Louise Fox and Samuel A. Morley, "Poverty and Adjustment in Brazil: Past, Present, Future," in Michael Lipton and Jacques van der Gaag (eds.), *Including the Poor*, Proceedings of a Symposium Organized by the World Bank and the International Food Policy Research Institute (Washington: World Bank, 1993), p. 470. The study uses published tabulations (series *Mães e Crianças*) of the distribution of per capita income from household surveys (*Pesquisa Nacional por Amostra de Domicilios*, PNAD) conducted by the Instituto Brasileiro de Geografia e Estatística (IBGE); income is reported in minimum salaries (after 1986, the *piso nacional*). To correct for changes in the real minimum wage, the poverty line is obtained by converting minimum salaries for the reference month for each year into constant cruzados, and then converting this value into constant 1980 minimumsalaries. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium ofData*, p. 160.

[12] The following currency changes have occurred since this estimate was made: in 1990, 1 cruzeiro = 1 nuevo cruzado; in 1993, 1 cruzeiro real = 1,000 cruzeiros; and in 1994, 1 real = 2,750 cruzeiros reales.

[13] The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC, *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimumfood basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

33.2 percent of the urban population were below the same poverty line, with a national poverty rate of 40.9 percent.[14]

According to the World Bank[15], in 1990, 17.4 percent of Brazil's national population was below the national poverty line, with 13.1 percent of the urban and 32.6 percent of the rural population falling below the poverty line. In 1995, 43.5 percent of the population was below the international poverty standard of US$2 per person per day and 23.6 percent was below the international standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$. Within Brazil, there are wide disparities in the extent of poverty; more than half of all poor Brazilians live in the Northeast.[16]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Brazil meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is not sufficient to provide a decent standard of living for a worker and family in Brazil,[17] but the U.S. Embassy is not aware of studies of a living wage in Brazil.

The Interunion Department of Socioeconomic Studies and Statistics (DIEESE), created by a group of trade unions in 1955, provides studies and statistics on living conditions in Brazil and a monthly calculation of the "minimum wage necessary."[18]

---

[14] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Tables 13.1–13.2 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[15] World Bank, *World Development Report 1998-99* (New York: Oxford University Press), p. 196.

[16] World Bank, *Brazil: A Poverty Assessment* (Washington: World Bank, 1995), p. 1.

[17] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

[18] See DIEESE web site: <http://www.dieese.org.br/bol/boletim.html>.

CAMBODIA[1]

MINIMUM WAGE

The apparel sector is the only industrial sector in Cambodia in which there is a legally-prescribed minimum wage. The monthly minimum wage in the apparel sector is 152,000 riels (CR) or 40 U.S. dollars (US$) at the current exchange rate, although apprentices may be paid a minimum wage of CR114,000 (US$30) a month for a maximum period of two months. The minimum wage was established on January 17, 1997—prior to the promulgation of Cambodia's 1997 Labor Law—by agreement between the Ministry of Social Affairs, Labor, and Veterans Affairs (now known as the Ministry of Social Affairs, Labor, Vocational Training, and Youth Rehabilitation— MOSALVTYR) and the Garment Manufacturers Association in Cambodia. It was later issued as a subdecree by the MOSALVTYR.

Articles 104-112 of Cambodia's Labor Law set out a process for establishing a guaranteed minimum wage that "must ensure every worker a decent standard of living compatible with human dignity." According to Article 107, the guaranteed minimum wage is to be set by a MOSALVTYR subdecree after consultation with the Labor Advisory Committee, and may be "adjusted from time to time in accordance with the evolution of economic conditions and the cost of living." The Labor Advisory Committee met for the first time on October 21, 1999, but the minimum wage-setting mechanism has not yet begun operation.[2]

The Labor Law provides for a standard legal workweek of 48 hours, not to exceed 8 hours per day. The law stipulates time-and-one-half overtime pay, and double overtime pay if overtime hours are worked at night or on the employee's day off. Government enforcement of these standards is weak and workers frequently complain about being required to work more than 48 hours a week and, especially in the garment industry, being paid the overtime rate only for the salary component of their paychecks, leaving piece rates unchanged regardless of the number of hours worked.[3]

PREVAILING OR AVERAGE WAGE

It is difficult to estimate with certainty the prevailing wage in the apparel industry. Based on visits to more than 30 garment factories, discussions with workers and trade unionists, and a de-brief with a U.S. Customs Textile Product Verification Team in March 1999, the American Embassy estimates that the bulk of Cambodian garment workers make at least CR152,000 (US$40) a month.

---

[1] Unless noted otherwise, information presented here is from American Embassy–Phnom Penh, unclassified telegram No. 1544 (July 2, 1999).

[2] U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (November 29, 1999).

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 836.

A significant number of workers (perhaps 25 percent) work more quickly or operate larger machines and earn a higher monthly wage, generally in the CR190,000-266,000 (US$50-70) range. A smaller percentage of workers make less than the legal CR152,000 (US$40) minimum per month, generally because of employer payroll deductions for substandard attendance or poor production.

No data were available for Cambodia from the International Labor Organization (ILO) on average wages or hours worked in the manufacturing sector or in the apparel or footwear industries.

NON-WAGE BENEFITS

The Labor Law contains provisions mandating holiday and overtime pay, but there are no government-mandated non-wage benefits in the apparel and footwear industry.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The World Bank reports[4] that, in 1997, 40.1 percent of the rural Cambodian population and 21.1 percent of the urban Cambodian population were below the country-specific poverty line, with a national poverty rate of 36.1 percent; in 1993/94, 43.1 percent of the rural population and 24.8 percent of the urban population were below the country-specific poverty line, with a national poverty rate of 39.0 percent. The American Embassy notes that these poverty figures probably come from a January 1999 report prepared by the UN system in Cambodia, based on data from the *Cambodia Socio-Economic Survey, 1997*. The UN report adds that the poverty line is defined as expenditure required to purchase a food basket which provides 2,100 calories per day and allow for a non-food expenditure. This expenditure is calculated at CR1,819 (US$0.66) per day in Phnom Penh, CR1,407 (US$0.51) in other urban areas, and CR1,210 (US$0.44) in rural areas, where US$ amounts are calculated at the June 1997 exchange rate of US$1 equals CR2,760. Since June 1997, the riel has subsequently devalued to 3,800 per US$, so the riel figures listed above should be adjusted upwards accordingly.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Cambodia meet workers' basic needs. The U.S. Department of State reports that the monthly minimum wage in the apparel sector is not sufficient to provide a worker and a family with a decent standard of living.[5] According to the American Embassy, there have been no studies on the issue of the living wage in Cambodia, probably because of the relatively small size of Cambodia's formal wage

---

[4] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 66.

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 836.

sector.

CANADA[1]

MINIMUM WAGE

Minimum wage rates are set in each province and territory. On July 1, 1996, the federal government passed legislation to align the federal minimum wage rate with the provincial/territorial rates. Previously, at the federal level, minimum wage rates for federal jurisdiction employees (who comprise about 8 percent of the Canadian labor force) were established by ministerial order. It was a common practice among most federal jurisdiction employers (industries such as banking, shipping, air transport, broadcasting, railways, grain elevators and pipelines) to use the higher provincial or territorial minimum-wage rates. Between 1986 and 1995, the federal hourly minimum wage was unchanged at 4.00 Canadian dollars (C$) or 2.68 U.S. dollars (US$).[2]

Typically, a provincial or territorial board or commission has the power to make general or specific orders that prescribe that no employee within its scope is to earn less that a particular hourly rate. All workers covered by the empowering legislation are entitled to the minimum wage protection. Some categories of youth employment are excluded from minimum wage coverage in some provinces. For example, Ontario and Alberta have a lower minimum wage rate for youths than for adults.[3] Individual provincial and territorial minimum wages generally cover all employees. In Ontario, Quebec, and Newfoundland, the general minimum wage orders are supplemented by special orders covering particular industries or occupations.

Minimum wage rates for the provinces currently range from C$5.00 to C$7.15 per hour or about US$3.35 to US$4.80 (see table on next page). Standard work hours vary from province to province, but in all the limit is 40 to 48 a week with 24 hours of rest.[4]

---

[1] Unless noted otherwise, information presented here is from American Embassy—Ottawa, unclassified telegram No. 693 (March 1, 1999).

[2] The exchange rate in March 1999 was approximately US$0.67 to C$1.00.

[3] U. S. State Department, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1200.

[4] U. S. State Department, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1200.

Hourly Minimum Wage Rates, by Province

Province/Rate and Date Adopted	Province/Rate and Date Adopted
Alberta C$5.00 (US$3.35) April 1, 1992	Nova Scotia C$5.35 (US$3.58) October 1, 1996 C$5.50 (US$3.69) February 1, 1997
British Columbia C$7.00 (US$4.69) October 1, 1996 C$7.15 (US$4.79) April 1, 1998	Ontario C$6.85 (US$4.59) January 1, 1995
Manitoba C$5.40 (US$3.62) January 1, 1996	Prince Edward Island C$5.15 (US$3.45) September 1, 1996 C$6.40 (US$4.29) September 1, 1997
New Brunswick C$5.68 (US$3.81) July 1, 1996	Quebec C$6.70 (US$4.49) October 1, 1996 C$6.85 (US$4.59) October 1, 1997
Newfoundland C$5.00 (US$3.35) September 1, 1996 C$5.25 (US$3.52) April 1, 1997	Saskatchewan C$5.60 (US$3.75) December 1, 1996

PREVAILING OR AVERAGE WAGE

Average hourly wages in the clothing industry (Canadian Standard Industrial Classification product code categories 243-249), excluding overtime, for Canada as a whole were C$9.92 in November 1998 and C$10.18 in November 1997. Hourly earnings including overtime were, respectively, C$10.08 and C$10.38 for the same months.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in Canada for production workers in the manufacturing sector and in the apparel and leather footwear industries. Earnings data are only pay for time worked and do not include paid leave, bonuses, and other benefits paid directly to the employee or the cost of social insurance programs.[5] Average hours worked per week by all employees were 38.5 in all manufacturing, 35.7 in apparel, and 36.6 in footwear and leather goods for the years 1990 through 1997.[6] Current average

[5] U.S. Department of Labor, Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufaturing, 1975-1997, Supplementary Tables for BLS News Release USDL 98-376*, September 16, 1998, p.1-2.

[6] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 734.

earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Hourly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (C$; 1990=100)		
	(C$)	(US$)	(C$)	(US$)	(C$)	(US$)	Manuf.	Apparel	Footwear
1990	14.2	12.16	8.6	7.37	9.4	8.06	100	100	100
1991	14.9	12.97	8.8	7.68	9.6	8.38	99	97	97
1992	15.4	12.72	9.0	7.45	9.3	7.69	101	98	92
1993	15.7	12.17	9.0	6.98	9.6	7.44	101	96	94
1994	16.0	11.69	9.2	6.74	10.0	7.32	103	98	97
1995	16.2	11.80	9.3	6.78	10.1	7.36	102	97	96
1996	16.7	12.26	10.4	7.63	11.5	8.43	104	107	108
1997	16.9	12.17	10.6	7.65	11.3	8.16	103	107	104

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 885.

NON-WAGE BENEFITS

Government-mandated non-wage benefits for workers in the apparel and footwear industries are the same as for other workers in manufacturing. These benefits may vary somewhat from province to province since workers in these industries are covered by provincial labor law and social programs. Workers are eligible as taxpayers for government-provided health care, and they contribute to employment insurance and pension funds overseen by the federal government. They are also entitled to paid holidays and vacations.

A U.S. Social Security Administration survey[7] elaborates on five non-wage benefit programs which employers in Canada are required to participate in for their employees: (1) old age, disability, and death insurance, first established in 1927, for which the insured pays 3 percent of earnings and the employer pays 3 percent of payroll;[8] (2) sickness and maternity benefits, first appearing in 1977, for which the insured persons in most provinces do not make any contributions (in Alberta and British Columbia, they pay from 0.2 percent to 2.0 percent of taxable income) and the share paid by employers varies by province from 1 percent to 4.5 percent of payroll, with the government paying the bulk of the cost through provincial revenues including block grants from the federal government; (3) work injury insurance, which is a compulsory insurance system with a public carrier, for which employers pay the whole cost which varies

[7] Social Security Administration, *Social Security Programs Throughout the World* (Washington: Government Printing Office, August 1997), pp. 64-67.

[8] For both the universal and income-tested program benefits (i.e., not earning related), the government pays the whole cost.

according to risk; (4) unemployment insurance system, which dates from 1940, for which the insured pay 2.9 percent earnings and the employer pays 4.13 percent of the insured's earnings; and (5) family allowances program, started in 1944, which provides eligible families a refundable tax credit based on their income and is funded the government.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Statistics Canada does not at present calculate a poverty line based on a market basket approach. Instead, for purposes of evaluating social programs, Canada uses something called a "low income cutoff"—LICO. This is based on the percentage of income used by the average family for food, shelter, and clothing and is converted using a complex formula that accounts for family and community size, among other things. Discussion with provincial governments on adopting an agreed market-basket approach is underway but remains controversial.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[9] reports for 1981 that 17.1 percent of the Canadian population was below the poverty line of 50 percent of median disposable income.[10] A more recent study, using the same methods, reports for 1991 that 11.7 percent of the Canadian population was below the poverty line of 50 percent of median disposable income.[11]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Canada meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that a family in Canada whose only employed member earns the minimum wage would be considered below the poverty line.[12] The U.S. Embassy was not able to identify any studies on a "living wage" or, rather, its Canadian translation: "a minimum viable income."

---

[9] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 73.

[10] The estimate is referenced as originating from Brigitte Buhmannn, Lee Rainwater, Guenther Schmaus, and Timothy M. Smeeding, "Equivalence Scales, Well-Being, Inequality, and Poverty: Sensitivity Estimates Across Ten Countries using the Luxembourg Income Study (LIS) Database," *Review of Income and Wealth*, Series 34, No. 2 (June 1988), p. 131.

[11] Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from LIS*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997), Table 2.

[12] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1200.

CHINA[1]

MINIMUM WAGE

In compliance with the 1995 China's Labor Law, all provinces, autonomous regions and municipalities set a minimum wage for each state enterprise under their jurisdiction. Thus, minimum wage rates vary across provinces, with different rates for urban and rural areas. The wage is set following consultations with local Ministry of Labor and Social Security officials, representatives of local enterprises, and trade unions. Factors considered include: 1) minimum standard of living; 2) average local salary; 3) enterprise productivity; 4) unemployment and lay-off rate; and 5) the level of local economic development. The proposed wage is submitted to the provincial government for approval and subsequently recorded by the State Council. The wage may be adjusted no more than once a year.

In 1995, the minimum wage in Beijing was 240 yuan (¥), about 29 U.S. dollars (US$), per month; in Zhuhai, it was ¥380 (US$46) per month. In poorer, rural areas, minimum-wage levels were as low as ¥120 (US$14) per month.[2] In December 1996, the minimum wage in Beijing was raised to ¥270 (US$32.50) per month; in Shenzen's and Zhuhai's Special Economic Zones, it was ¥398 (US$48) per month; in rural areas, it remained as low as ¥120 (US$14) per month.[3]

In 1997, the minimum wage in Beijing was ¥270 (US$32.50) per month; in Shenzhen's and Zhuhai's Special Economic Zones, it was ¥240 (US$29) per month; for other parts of Guangdong province, the rate was ¥320 (US$39) per month. In Hebei province, the minimum wage was ¥140 (US$17) per month in urban areas, and ¥100 (US$12) per month in rural areas. In Jiangsu province, the minimum wage was ¥280 (US$34) for urban areas and ¥210 (US$25) for all rural areas.[4] Minimum-wage figures do not include free or heavily subsidized benefits which some state-sector employers may provide in kind, such as housing, medical care, and education.

The government reduced the national standard workweek in 1995 from 44 hours to 40 hours, excluding

---

[1] Unless noted otherwise, information presented here is from American Embassy—Beijing, unclassified telegram No. 1978 (March 4, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1995* (Washington: U.S. Government Printing Office, April 1996), p. 593.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1996* (Washington: U.S. Government Printing Office, February 1997), p. 639.

[4] U.S. Department of State, *Country Reports on Human Rights Practices for 1997* (Washington: U.S. Government Printing Office, March 1998), p. 738.

overtime. The Labor Law mandates a weekly 24-hour rest period and does not allow overtime in excess of 3 hours a day or 36 hours a month. It also sets forth a required scale of remuneration for overtime work.[5]

PREVAILING OR AVERAGE WAGE

For non-state businesses—private, joint ventures, and foreign funded—the salary is decided in collective consultation with representatives from the enterprise, local workers' congress, and trade union. The salary may not be lower than what has been set for state-owned enterprises in the area. The wage in both state and non-state enterprises may be adjusted no more than once a year.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in China for all employees in the manufacturing sector and average monthly occupational wages for female and male sewing machine operators in apparel manufacturing and machine sewers in footwear manufacturing. Earnings data for the manufacturing sector include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[6] Wages in the apparel and footwear occupations include basic wages and cost of living allowances, but exclude overtime pay, bonuses, family allowances, in-kind supplements, and payments for social security. Average monthly hours worked by production workers in manufacturing were 157.1 for the years 1991 through 1997.[7] No data were available from the ILO for average monthly hours worked by production workers in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

---

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 870.

[6] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[7] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 743.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel[a]				Footwear[b]				Real Earnings Index (¥; 1990=100)				
	All Workers		Female Workers		Male Workers		Female Workers		Male Workers			Manuf.	Apparel		Footwear
	(¥)	(US$)	(¥)	(US$)	(¥)	(US$)	(¥)	(US$)	(¥)	(US$)	All Workers	Female Workers	Male Workers	Female Workers	Male Workers
1990	172.25	86.13	170.4	85.20	206.6	103.30	181.9	90.95	191.4	95.70	100	100	100	100	100
1991	190.75	57.24	186.4	55.94	268.7	80.64	228.8	68.66	338.0	101.43	93	91	109	105	148
1992	219.58	65.77	153.9	46.10	163.0	48.82	173.4	51.94	121.1	36.27	94	66	58	70	46
1993	279.00	82.75	241.1	71.50	264.6	78.47	353.3	104.78	na	na	106	93	84	127	na
1994	356.92	105.26	410.3	121.00	251.0	74.02	203.9	60.13	200.7	59.19	126	146	74	68	64
1995	430.75	127.06	444.6	131.15	na	na	277.4	81.83	na	na	131	137	na	80	na
1996	470.17	138.78	684.5	202.04	na	na	350.7	103.51	385.0	113.64	133	196	na	94	98
1997	494.42	145.93	647.0	190.97	na	na	388.5	114.67	533.9	157.59	134	177	na	100	130

Note: a = sewing machine operator–manufacture of wearing apparel; b = shoe sewer (machine)–manufacture of footwear. na = not available. The number of cities covered for monthly earnings in apparel and footwear varies from year to year.
Source: All manufacturing from ILO, *Yearbook of Labour Statistics, 1998*, p. 902; apparel and footwear from ILO, *Statistics on Occupational Wages and Hours of Work and on Food Prices, October Inquiry Results*, Special [Annual] Supplement to the *Bulletin of Labour Statistics*, various years.

NON-WAGE BENEFITS

According to government regulations, all enterprises must provide their workers with: 1) paid annual leave for government holidays, marriage, and death in the family; 2) monetary subsidies to reduce the cost of living for expenditures on items such as heating, grain, and health care; 3) "collective welfare facilities" such as canteens, nursery schools, barber shops, health clinics, and dormitories for singles; and 4) cultural and recreational benefits such as libraries, gymnasiums, etc. In some provinces, state-owned enterprises are now no longer required to provide certain social services (such as schooling) that formerly were provided to workers and their families. There are no tax credits targeted specifically for apparel workers.

A U.S. Social Security Administration survey[8] elaborates on several non-wage benefit programs in China: (1) old age, disability, and death benefits, begun in 1951, are provided by local governments or through an employer-provided plan with the insured persons paying basic pension insurance up to 3-5 percent of their earnings base and for individual retirement accounts 3-8 percent of earnings, employers pay basic pension insurance averaging 20 percent of payroll and for individual retirement accounts up to 11 percent of payroll, and local governments pay subsidies as needed; (2) sickness and maternity benefits, initially provided for in 1951, are separate employer-provided programs based on central government guidelines with insured persons paying up to 1 percent of earnings, employers paying an average of 10 percent of payroll, and central and local governments contributing subsidies as needed; (3) work injury benefits, also begun in 1951, are separate employer -provided programs based on central government guidelines for which the employer pays the whole cost, with central and local governments contributing subsidies as needed; and (4) unemployment insurance, which began to be offered in 1986, is a provincial city/county social system based on central government guidelines where the employer pays up to 2 percent of wages and workers contribute up to 1 percent of their wages, depending upon local government provisions.

[8] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 78-80. See also, Anne Stevenson-Yang and Steven Shi, *Weaving a Social Safety Net: Labor Developments in China, 1996-1998* (Washington: The U.S.-China Business Council, February 1999), for more detailed discussion of provincial and local benefits programs in China.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The central government has set the poverty line at a per capita annual income of ¥500 (US$60). The purchasing power of ¥500 is estimated to be about US$1,201 with even greater purchasing power in rural areas. It must be noted that currently the government publicly maintains that there is no urban poverty.

As of the end of 1998, city and provincial governments (with input from local representatives of the Ministries of Finance, Labor and Social Security, Civil Affairs, and the All China Federation of Trade Unions) have established a minimum standard of living for 536 of China's 660 urban areas. It is expected that such standards for all areas will be set by no later than the middle of 1999. This standard, which varies from city to city, takes into account local conditions such as available subsidies for food, housing, health care and schooling, as well as the local retail price index. For example, in Beijing the minimum living standard is ¥200 (US$24) per month per family member. In contrast, Hangzhou in Zhejiang province, has set a standard of ¥165 (US$20) per month per family member. In September 1999, the central government raised the minimum living standard nationwide by 30 percent.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[9] reports several sets of measures of a national poverty line for China:

! For 1981, 24.3 percent of the rural Chinese population was below the rural poverty line of ¥158 per capita per year and 1.9 percent of the urban population was below the urban poverty line of ¥171 per capita per year, with a national poverty line of ¥161 per capita per year and a national poverty rate of 19.8 percent; and

for 1990, 11.5 percent of the rural population was below the rural poverty line of ¥275 and 0.4 percent of the urban population was below the urban poverty line of ¥321 per capita per year, with a national poverty line of ¥287 per capita per year and a national poverty rate of 8.6 percent.

The poverty line is defined as the expenditure level below which basic needs (including a subsistence diet which provides 2,150 calories per capita per day) cannot be satisfied.[10]

---

[9] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 26-28.

[10] The estimates are referenced as originating from the World Bank, *China: Strategies for Reducing Poverty in the 1990s*, Report No. 10409-CHA (Washington: World Bank, 1992), pp. 146-147. The estimates are based on annual household surveys conducted by the State Statistical Bureau (SSB). The food component of the subsistence basket includes modest quantities of vegetable oil, vegetables, pork, and eggs, plus a little more than 0.5 kilograms of grain per day. Grain foods supply 90 percent and non-grain foods supply 10 percent of the subsistence diet of 2,150 calories per capita per day. For the urban poverty line, the actual prices paid by the low- income urban population have been imputed in most cases from the SBB survey data. For the rural poverty line, the State plan prices of grain are used. While the plan prices are lower than the prices actually paid, this is compensated for by the fact that the survey data tend to considerably underestimate actual rural income. Non-food subsistence goods are accounted for by inflating food costs

! for 1990, 13.5 percent of the Chinese population was below the poverty line of US$30.42 per capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$.[11]

The World Bank reports[12] that, in 1996, 6.0 percent of the Chinese population was below the national poverty line, with less than 2 percent of the urban population and 7.9 percent of the rural population living under the national poverty line; comparable figures for 1994 were 8.4, less than 2, and 11.8 percent, respectively. In terms of international poverty line, the World Bank reports that 57.8 percent of the Chinese population was below the international standard of US$2 per person per day and 22.2 percent was below the standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in China meet workers' basic needs. The U.S. Embassy reports that the Chinese Ministry of Labor and Social Security sets the minimum wage level higher than the local poverty relief ceiling, but lower than the current wage level of the average worker.[13] Although there have been a number of articles in the Chinese press about the minimum standard of living, the U.S. Embassy is aware of no formal published studies on the living wage.

---

by the reciprocal of food's estimated budget share for low-income households. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 147

[11] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[12] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 66.

[13] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 870.

COLOMBIA[1]

MINIMUM WAGE

Colombian law defines the minimum wage as the minimum remuneration to which any worker has the right, for rendering his or her services to an employer, for a period no shorter than the maximum legal workday (8 hours) and workweek (48 hours). The minimum wage for part-time workers is proportional to hours worked.

If the National Labor Council—which includes the Finance and Labor Ministers, the major union confederations, the Industrial Association, the Small Businessmen's Association, and the Agricultural Society—fails to reach an agreement, the government sets the rate.[2] The 1999 monthly minimum wage is 236,440 Colombian pesos (C$), approximately 152 U.S. dollars (US$), or C$7,881.3 (US$5.07) per day. The table below gives the minimum wage rate for earlier years. Failure of employers to comply with minimum wage requirements can be penalized with fines from one to one hundred times the minimum monthly wage.

Monthly Minimum Wage Rates, 1992-1999

Year	C$	US$
1993	98,700	114.36
1994	107,000	126.65
1995	118,000	129.27
1996	140,000	135.05
1997	172,682	151.35
1998	203,826	142.93
1999	236,440	152.00

Note: Rates may not apply for the entire year.
Source: U.S. Department of State, *Country Reports on Human Rights Practices, 1993-98*, Colombia, section 6e.

The law provides for a standard workday of 8 hours and a 48-hour workweek, but it does not require specifically a weekly rest period of at least 24 hours, a failing criticized by the International Labor Organization.[3]

[1] Unless noted otherwise, information presented here is from American Embassy—Bogota, unclassified telegram No. 2373 (March 5, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1993* (Washington: U.S. Government Printing Office, February 1994), p. 402.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 570.

PREVAILING OR AVERAGE WAGE

According to ASCOLTEX (the Colombian Textile and Apparel Producers' Association), most large companies in the apparel and footwear sectors actually pay more than the minimum wage to their workers; only a few pay just the minimum wage, plus mandatory payments to the government (amounting to roughly 50 percent of salary). However, according to this same source, medium and small companies often violate legal requirements and pay less than the minimum wage, in many cases without the mandatory social security allowances. There are no available official statistics on the number of medium and small companies that fail to comply with the minimum wage. In real terms, average wages deceased 2.3 percent and 2.9 percent, respectively, in the apparel and footwear sectors in 1998.

Under Colombia's labor code, a worker's salary includes all that is given to the worker as compensation for services rendered to an employer, including bonuses, overtime, commissions, payment for work during mandatory holidays, and permanent per diem expenses. The value of salary can be settled as a fixed amount, a percentage of sales or collections (as long as it is no less than the legal minimum salary), or part in cash and part in kind payments. Payments in kind may not exceed 50 percent of the total salary; for a worker earning the minimum salary, his or her payments in kind may not exceed 30 percent of the total. This law applies equally to employment in all industrial sectors, including apparel and footwear.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Colombia for all employees in the manufacturing sector and in the apparel and leather footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[4] Average hours worked per week for all employees in the manufacturing sector were 47.5 for the years 1991 through 1997;[5] average weekly hours worked were not available from the ILO for the apparel and footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 733.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing (C$)	All Manufacturing (US$)	Apparel (C$)	Apparel (US$)	Footwear (C$)	Footwear (US$)	Real Earnings Index (C$: 1990=100) Manuf.	Real Earnings Index Apparel	Real Earnings Index Footwear	
1990	98,730	197	57,040	114	65,209	130	100	100	100	
1991	140,031	221	62,317	98	83,718	132	109	84	98	
1992	167,106	220	97,838	129	108,131	142	102	104	100	
1993	217,741	252	129,274		150	141,578	164	109	112	107
1994	271,109	320	160,064		189	174,918	207	109	112	107
1995	326,421	358	176,961		194	197,182	216	109	102	99
1996	na	na	na	na	na	na	na	na	na	
1997	na	na	na	na	na	na	na	na	na	

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 886.

NON-WAGE BENEFITS

Social security benefits paid to workers by the employer (in addition to salary) as provided by law include:

- bonuses (a month's salary for each year of work, to be paid in equal amounts every six months);
- severance payments (one month's salary for each year worked);
- annual leave (15 remunerated business days after one year of service);
- payments to social security institutions (e.g., the general pension system, general health system, and professional risks system);
- payments for labor-related accidents;
- payments for professional sickness; and
- family compensation allowances.

These additional payments approximate 50 percent of the paid wage.

A U.S. Social Security Administration survey[6] elaborates on five different non-wage benefit programs in which employers are required to participate for their employees: (1) old age, disability, and death benefits, implemented in 1965, is a parallel social insurance and private insurance program with insured persons

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 81-83.

paying 3.375 percent of earnings, employers paying 10.125 percent of payroll, and the government pays a partial subsidy to a solidarity fund; (2) sickness and maternity benefits, first appeared in 1938, and the insured person pays 4 percent of earnings, the employer pays 8 percent of payroll, and the government funds the program for low earners through a solidarity fund; (3) work injury benefits, begun in 1915, is a social insurance system in which the employer bears the entire cost, paying from 0.348 percent to 8.7 percent of payroll according to risk; (4) for unemployment insurance, the labor code requires employers to provide one month's severance pay, with more depending upon length of service; and (5) family allowances, first appearing in 1957, are employment-related, with the employer contributing 4 percent of payroll for these benefits.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line in Colombia is defined as the minimum income necessary to satisfy an individual's basic needs for subsistence, particularly but not exclusively for food needs. In order to determine the minimum income, per capita nutrition requirements are established and compared to food prices and the relative share of food expenditures out of total expenditures. This indicator, however, is arbitrary and is normally used with other relative indicators like those measuring income distribution.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports several sets of measures of a national poverty line for Colombia:

- for 1980, 47.7 percent of the rural Colombian population was below the rural poverty line of a monthly per capita budget of C$12,511 in second half of the year 1988 prices and 39.7 percent of the urban Colombian population was below the urban poverty line of a monthly per capita budget of C$17,598 in second half of the year 1988 prices, with a national poverty rate of 42.3 percent; for 1986, 44.5 percent of the rural population was below the same rural poverty line and 40.2 percent of the urban population was below the same urban poverty line, with a national poverty rate of 41.6 percent. A more recent estimate for the urban population shows that 43 percent of the urban population was below the urban poverty line in 1992.[8]

---

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 56-57.

[8] The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC, *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115; 116. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line

- for 1988, 68 percent of the rural Colombian population was below the poverty line, compared to 85 percent in 1978, and 38.3 percent of the urban Colombian population was below the poverty line, compared to 43.7 percent in 1982.[9]

- for 1980, 13.0 percent of the urban Colombian population was below the poverty line of a monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$; for 1989, 8.0 percent of the urban population was below the same poverty line.[10]

The World Bank reports[11] that, in 1992, 17.7 percent of the Colombian population was below the national poverty line, 8.0 percent of the urban population and 31.2 percent of the rural population were living below the national poverty line; corresponding figures for 1991 were 16.9, 7.8, and 29.0 percent, respectively. In 1991, 21.7 percent of the Colombian population was below the international poverty line of US$2 per person per day and 7.4 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Colombia meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is not sufficient to provide a decent standard of living for a worker and family in Colombia. The U.S. State Department notes that the monthly minimum wage is based on the government's target inflation rate, but has not kept up with actual inflation in recent years. By government estimates, the price of the family shopping basket is 2.4 times the minimum wage. However, 77 percent of all workers earn no more than, and often much less than,

---

is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[9] The estimates are referenced as originating from the International Labour Organization's Regional Employment Programme for Latin America and the Caribbean (ILO/PREALC), *Colombia: La Deuda Social en los Años 80* (Santiago: ILO/PREALC, 1990), but not further information is provided in the ILO compendium.

[10] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[11] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

twice the minimum wage.[12] The U.S. Embassy was not able to identify any studies on the living wage in Colombia.

[12] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 570.

COSTA RICA[1]

MINIMUM WAGE

Minimum wage legislation was first passed in Costa Rica in 1943.[2] A national minimum wage board was created in 1949 to consolidate a decentralized system of regional wages boards.[3] From 1949 to 1974, minimum wages were usually set every two years. In response to pressure to adjust real wages to the accelerating inflation rate, the National Wage Council began in 1974 to adjust minimum wages annually and to use explicitly the consumer price index as a guide. Minimum wages began to be revised twice a year in 1986.[4] Until 1988, there were approximately 350 different occupational/industrial minimum wages specified in legislation, when the number was reduced to about 200. In 1990, there was a further simplification to about 80 categories. All full-time private- and, since 1984, public-sector employees are legally covered by minimum wages. Public sector negotiations, based on private sector minimum wages, normally follow the settlement of private sector negotiations.[5]

Currently, minimum wages for all sectors are set by the National Wage Council, composed of three members each from government, business and labor. Under exceptional circumstances, e.g., concerted pressure from organized labor, wages can be adjusted more frequently. The Wage Council is a legal entity established by law; its findings are binding on the private sector. The minimum wage for each occupation that employers are obliged to pay is published in the official gazette.[6] The Ministry of Labor supervises compliance. The Ministry of Labor effectively enforces minimum wages in the San Jose area, but less

[1]Unless noted otherwise, information presented here is from American Embassy—San Jose, unclassified telegram No. 517 (March 1, 1999).

[2] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 7.

[3] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 31.

[4] American Embassy–San Jose, *Foreign Labor Trends: Costa Rica, 1989*, FT-90-33 (Washington: U.S. Department of Labor, 1990), p. 4.

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 576.

[6] For more information on minimum wages in Costa Rica, see International Labour Organization (ILO), "Minimum Wage Fixing in Costa Rica," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 10 (Geneva: International Labour Organization, 1997), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/costarr2.htm>.

effectively in rural areas.[7]

Current minimum wages are effective from January 1 to June 30, 1999. The minimum salary paid to a worker in the footwear and apparel industry is 73,258 colones (C), approximately 266 U.S. dollars (US$) per month based upon a 40 hour workweek. The following table presents the monthly minimum wage rates for domestic employees and professionals for the years 1993-98.

Monthly Minimum Wage Rates for Domestic Workers and Professionals

Year	Domestic Workers		Professionals		Consumer Price Index	Real Minimum Wage Index (C; 1993=100)	
	(C)	(US$)	(C)	(US$)	(1993=100)	Domestic Workers	Professionals
1993	16,829	118	81,501	573	100.0	100	100
1994	18,176	116	88,023	560	113.5	95	95
1995	21,928	122	106,282	591	139.9	93	93
1996	25,636	123	124,255	598	164.4	93	93
1997	30,179	130	146,274	629	186.1	96	96
1998	34,440	134	166,700	648	207.1	98	98

Source: U.S. Department of State, *Country Reports on Human Rights Practices for 1993-97*, Costa Rica Country Report (Washington: U.S. Government Printing Office, 1994-98), section 6e.

PREVAILING OR AVERAGE WAGE

The prevailing industrial wage is approximately C85,258 (approximately US$310) per month. Overtime is paid at 1.5 times these rates. The average labor income in Costa Rica is approximately US$200 per month.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Costa Rica for all employees in the manufacturing sector and in the apparel and leather footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[8] Average hours worked per week by all employees were 49.1 in all manufacturing, 48.4 in apparel, and 48.1 in footwear and leather goods for the years 1990 through 1997.[9] Current average earnings, which are reported by the

---

[7] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 576.

[8] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[9] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 734.

ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (C; 1990=100)		
	(C)	(US$)	(C)	(US$)	(C)	(US$)	Manuf.	Apparel	Footwear
1990	20,037	219	15,532	170	17,039	186	100	100	100
1991	27,229	222	21,652	177	17,803	145	106	108	81
1992	32,949	245	26,656	198	23,161	172	105	109	87
1993	38,631	272	30,828	217	28,752	202	112	115	98
1994	44,720	285	35,023	223	36,370	232	114	115	109
1995	54,365	302	45,105	251	53,656	299	113	121	131
1996	63,894	308	53,629	258	43,282	208	113	122	90
1997	75,672	325	61,055	262	69,600	299	118	123	128

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 886.

NON-WAGE BENEFITS

Government mandated non-wage benefits for workers in the apparel and footwear industries, paid by the employer, are as follows (as percentage of the wages paid to the employee):

Health and maternity benefits	9.25 percent
Disability, old age, and death benefits	4.75 percent
Family allowances (welfare) benefits	5.00 percent
Vocational school tax (INA)	2.00 percent
Workers' savings bank	0.50 percent
Social assistance tax (IMAS)	0.50 percent
Occupational hazard insurance (INS)	3.75 percent
Christmas bonus (13th month of pay)	8.33 percent
Paid vacations	4.17 percent
Official holidays	4.17 percent
Reserve for termination and severance	8.33 percent
Total mandatory benefits plus reserves	50.75 percent

Employees contribute a total of 9 percent of their wages to their benefits plan via payroll deductions.

A U.S. Social Security Administration survey[10] elaborates on four different non-wage benefit programs in which employers in Costa Rica are required to participate for their employees: (1) a social insurance program, started in 1943, which covers sickness and maternity, for which the insured person pays 5.5 percent of earnings, the employer pays 9.25 percent of payroll, and the government pays 0.25 percent of total covered earnings; (2) a social insurance system, started in 1941, which provides old age, disability, and death insurance, for which the insured person pays 2.5 percent of earnings, the employer pays 4.75 percent of payroll, and the government pays 0.25 percent of total covered earnings; (3) a family allowance program, started in 1974, which provides assistance for those not meeting qualifications for other pensions, for which the employer pays 5 percent of payroll and the government pays a percent yield of the sales tax; and (4) a work injury program, started in 1925, which is a mixed compulsory and voluntary insurance program with a public carrier, for which the employers pay the whole cost and premiums vary according to risk.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The U.S. Embassy reports that the poverty line in Costa Rica is approximately US$100 per month for a family of five.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[11] reports several sets of measures of a national poverty line for Costa Rica:

! for 1981, 28.4 percent of the rural Costa Rican population was below the rural poverty line of a budget of C2,766 per capita per month in second half of the year 1988 prices and 18.2 percent of the urban Costa Rican population was below the urban poverty line of a monthly per capita budget of C4,002 in second half of the year 1988 prices, with a national poverty rate of 23.6 percent; for 1992, 28 percent of the rural population was below the rural poverty line and 27 percent of the urban population was below the urban poverty line, with a national poverty rate of 28 percent.[12]

---

[10] Social Security Administration, *Social Security Programs Throughout the World-1997* (Washington: U.S. Government Printing Office, August 1997), p. 88-89.

[11] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 57-59.

[12] The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC, *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the

! for 1981, 16.7 percent of the rural Costa Rican population and 9.9 percent of the urban Costa Rican population were below the national poverty line of monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$, with a national poverty rate of 13.4 percent; for 1989, 3.2 percent of the rural population and 3.5 percent of the urban population were below the same poverty line, with a national poverty rate of 3.4 percent.[13]

The World Bank reports[14] that, in 1989, 43.8 percent of the Costa Rican population was below the international poverty line of US$2 per person per day and 18.9 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Costa Rica meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that, especially at the lower end of the wage sale, the minimum wage in Costa Rica is insufficient to provide a worker and a family a decent standard of living.[15]

The U.S. Embassy identified two publications that address issues related to wages in Costa Rica:

! Proyecto Estado de la Nación, "Estado de la Nación en Desarrollo Humano Sostenible," funded by the United Nations Development Programme (UNDP), available on the Internet at

---

capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimumfood basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[13] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Tables 13.1and 13.2 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[14] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

[15] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 576.

<http://www.estadonacion.or.cr>; and

- Ministerio de Economía e Industria, “Encuesta de Hogares,” San Jose, no date.

DOMINICAN REPUBLIC[1]

MINIMUM WAGE

The minimum wage in the Dominican Republic is set by a National Salary Committee appointed by the President. The Committee reports to the Secretariat of Labor and its Director General. In order to change the minimum wage, the Director General, two Committee members appointed by the President, and special Committee members that represent labor and management hold hearing and then publish proposed minimum wages. The special Committee members are appointed by the Director General, based on the recommendation of labor and management organizations.

Employers and workers have 15 days to register objections to a minimum wage recommendation with the Secretary of Labor. If there are no objections, the new wages become law. If there are objections, the Secretary of Labor considers them and either approves the new minimum wages (and they become law) or send the recommendations back to the Committee for further consideration. The minimum wages must be reviewed at least every two years.

The minimum wage rate established depends on the size of an employer and the nature of its business.

- Since July 29, 1997, the monthly minimum wage in the *Free Trade Zones* has been 1,932 Dominican Republic pesos (RD$) or about 120.75 U.S. dollars (US$) at the March 1999 exchange rate of RD$16 equal to US$1.

- Since October 18, 1997, the monthly minimum wages for *industrial, commercial, or service companies* have been RD$2,412 (US$150.75) for companies with capital assets of at least RD$500,000 (US$31,250), RD$1,728 (US$108.00) for those with capital assets between RD$200,000 and RD$500,000 (US$12,500 to 31,250), and RD$1,555 (US$97.19) for those with capital assets of RD$200,000 or less.

- Since October 9, 1997, the monthly minimum wages for *hotels, restaurants, bars, cafes and other food service establishments* have been RD$2,309 (US$144.31) for companies with capital assets of more than RD$500,000 (US$31,250), RD$1,649 (US$103.06) for those with capital assets between RD$200,000 and RD$500,000 (US$12,500 to 31,250), and RD$1,485 (US$92.81) for those with capital assets of RD$200,000 or less.

- Since May 30, 1998, the hourly minimum wages for *manufacturers/repairers of shoes, purses,*

[1] Unless noted otherwise, information presented here is from American Embassy—Santo Domingo, unclassified telegram No. 1150 (March 4, 1999).

bags, belts, etc. outside of the Free Trade Zones have been RD$10.80 (US$0.675) for companies with capital assets of at least RD$300,000 (US$18,750) and RD$8.64 (US$0.54) for those with capital assets under RD$300,000.

- The current monthly minimum wage for *public sector workers*, which is set directly by Presidential Decree, is RD$1,500 (US$93.75).

- There are also minimum wages for *other specific groups* (e.g., for security guards or employees of non-profit organizations), but the wages given above cover the majority of workers employed in the formal sector.

The Labor Code establishes a standard work period of 8 hours per day and 44 per week. The code also stipulates that all workers are entitled to 36 hours of uninterrupted rest each week. In practice, a typical workweek is Monday through Friday plus half a day on Saturday, but longer hours are not unusual. The code grants workers a 35 percent differential for work totaling between 44 to 68 hours per week and double time for any hours above 68 hours per week.[2]

PREVAILING OR AVERAGE WAGE

No information on the prevailing or average wage in the manufacturing sector or the footwear and apparel industries was provided by the U.S. Embassy, but the Labor Secretariat maintains some aggregate labor statistics on its web site <http://www.set.gov.do>.[3]

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in the Dominican Republic in for all employees in the manufacturing sector; data were not available for the apparel and footwear industries. Earnings data include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[4] Average hours worked per week by all employees in manufacturing were 44.1 for the years 1991 through 1997.[5] Current average earnings, which are reported by the ILO in the national

---

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 607.

[3] American Embassy—Santo Domingo, unclassified telegram No. 2647 (June 2, 1998).

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 737

currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1991 = 100.

Average Hourly Earnings in All Manufacturing

Year	All Manufacturing (RD$)	(US$)	Real Earnings Index (RD$; 1991=100) Manufacturing
1990	na	na	na
1991	10.4	0.82	100
1992	12.2	0.96	113
1993	11.3	0.89	99
1994	17.4	1.32	141
1995	16.6	1.22	119
1996	18.0	1.31	123
1997	21.6	1.51	136

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 821.

NON-WAGE BENEFITS

Government mandated non-wage benefits for workers in the apparel and footwear industry do not differ from those of other workers:

- Workers in the formal sector are entitled to 14 days of vacation per year and severance pay equivalent to almost one month of pay per year of service.

- Some workers receive health care through the Dominican Institute of Social Security (IDSS), a government agency funded by workers, employers, and the government. The IDSS also pays and employees a portion of their salary if they miss more than seven days of work due to illness/injury.

- In the Free Trade Zones, most companies have "collective vacations" in which the businesses close during the December holiday season. The employees are obligated to use their 14 vacation days at that time. Outside of the Free Trade Zones, it is more typical that employees take their vacation days on the anniversary of their date of hire.

A U.S. Social Security Administration survey[6] elaborates on three different non-wage benefit programs in which employers in the Dominican Republic are required to participate for their employees: (1) old age,

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 108-109.

disability, and death benefits were instituted in 1947 as a social insurance system and currently the insured person pays 2.5 percent of earnings according to 15 different wage classes, the employer pays 7.5 percent of payroll according to the wage classes, and government pays 2.5 percent of total taxable earnings and any deficit; (2) sickness and maternity benefits, started in 1947, are financed in the same manner as for pensions; and (3) work injury is covered under a law enacted in 1932, with the employer paying the entire cost of the insurance based on risk factors—the average payment is about 2.5 percent of payroll.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There are no current data available regarding the poverty line. The Central Bank last conducted a poverty line study in 1989. The U.S. Embassy estimates that approximately 60 percent of the Dominican population lives in poverty.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports several sets of measures of a poverty line for the Dominican Republic:

- for 1978, 43 percent of the rural Dominican population was below the rural poverty line of an annual per capita income of US$263 and 45 percent of the urban Dominican population was below the urban poverty line of an annual per capita income of US$451, with a national poverty rate of 44 percent.[8]

- for 1988, 78 percent of the rural Dominican population was below the poverty line.[9]

---

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 59.

[8] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1988* (Washington: World Bank, 1988). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[9] The estimate is referenced as originating from Idriss Jazairy, Mohiuddin Alamgir, and Theresa Panuccio, *The State of World Rural Poverty: An Inquiry into Its Causes and Consequences* (New York: New York University Press, 1992). The estimates in the study are based upon internal working documents or working papers of the International Fund for Agricultural Development (IFAD) and are usually provisional and rounded to the nearest multiple of 5. In many cases, the estimates do not appear to based on household survey data, but were included in the ILO compendium since they relate to countries for which there were no other available estimates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

- for 1989, 4.9 percent of the Dominican population was below the poverty line of a monthly per capita income of US$30 in 1985 purchasing power parity adjusted US$; 24.1 percent of the Dominican population was below the poverty line of a monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$.[10]

- for 1989, 22.3 percent of the Dominican population was below the poverty line of US$30.42 per person per month (i.e., US$1 per person per day) in 1985 purchasing power parity adjusted US$.[11]

The World Bank reports[12] that, in 1992, 20.6 percent of the Dominican Republic's population was below the national poverty line, with 10.6 percent of the urban population and 29.8 percent of the rural population living below the national poverty line; corresponding figures for 1989 were 24.5, 23.3, and 27.4 percent, respectively. In terms of the international poverty line, in 1989, 47.7 percent of the Dominican population was below the standard of US$2 per person per day and 19.9 percent was below the standard of US$1 per person per day, both in1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in the Dominican Republic meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage in the Dominican Republic does not provide a decent standard of living for a worker and family and, for example, covers only a fraction of the living costs for a family in Santo Domingo, where many families receive only

[10] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[11] The estimate is referenced as originating from Shaohua Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). The study follows the same methodology as that used by the World Bank in its *World Development Report 1990* (i.e., using an international poverty line of US$1/US$2 a day per person in 1985 purchasing power parity adjusted US$), except that the data base has been considerably expanded and the purchasing power parity rates updated. The poverty line in the national currency was not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[12] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

the minimum wage.[13] No information on the living wage issue was provided by the U.S. Embassy.

A report by the Union of Needletrades, Industrial and Textile Employees (UNITE) states that:[14]

> The base pay for a typical worker for a full 44-hour work-week amounts to [US]$30.54, or 69¢ per hour.[2] This is only **a** of what the Dominican government estimates to be the necessary income for a typical family to meet its basic needs.[3]
>
> ________________
>
> [2] Take-home pay is lower, because of a legally required reduction of about 2.5% for social security (public health care).
>
> [3] Calculation done by Dominican economist Felipe Santos based on the Central Bank of the Dominican Republic's study, "Estudios sobre gastos e ingresos de la unidad familiar."

---

[13] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 606.

[14] Union of Needletrades, Industrial and Textile Employees (UNITE), *A UNITE Report on Campus Caps Made By BJ&B in the Dominican Republic* (New York: UNITE, 1998), p. 6. This report is available on UNITE's web site at: <http://www.uniteunion.org/sweatshops/schoolcap/schoolcap.html>.

EGYPT[1]

MINIMUM WAGE

Minimum wages are set by a combination of law and Presidential Decree.[2] Law 47 of 1978 established a wage scale for public sector employees. Private sector wages generally follow or exceed public sector wages. Wage increases are determined during consultations that occur after the government's June announcement of its annual wage hikes. Representatives of business groups, trade unions, and the Ministry of Manpower meet in informal discussions to determine what, if any, increase should occur in the private sector. Agreements reached in these sessions are non-binding.

The current monthly minimum wage, set in January of 1999, is 116 Egyptian pounds (£E), or approximately 34 U.S. dollars (US$), based on a 6-day, 42 hour workweek. An increase in the minimum wage is set by the government on an annual (or occasionally semi-annual) basis.

PREVAILING OR AVERAGE WAGE

The average annual wage in the apparel and footwear industries is US$1,312.

The table below presents available data from the International Labor Organization (ILO) on average weekly earnings (direct wages per worker) in Egypt for wage earners in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average weekly hours paid for production workers were 57 in all manufacturing, 55 in apparel, and 53.7 in footwear and leather goods for the years 1990 through 1995.[4] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

---

[1] Unless noted otherwise, information presented here is from American Embassy—Cairo, unclassified telegram No. 1827 (March 9, 1999).

[2] American Embassy—Cairo, unclassified telegram No. 1913 (February 19, 1998).

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 729.

Average Weekly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (£E; 1990=100)			
	(£E)	(US$)	(£E)	(US$)	(£E)	(US$)	Manuf.	Apparel	Footwear	
1990	54	18.98	30	10.54	34		11.95	100	100	100
1991	55	11.54	36	7.55	40	8.39	85	100	98	
1992	62	13.51	37	8.06	39	8.50	84	91	84	
1993	70	15.11	39	8.42	41	8.85	85	85	79	
1994	77	15.55	40	8.08	49	9.90	86	81	87	
1995	84	16.67	45	8.93	54	10.72	81	79	83	
1996	na	na	na	na	na		na	na	na	na
1997	na	na	na	na	na		na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 875.

NON-WAGE BENEFITS

Minimum wage workers are estimated to receive around US$180 annually in fringe benefits and allowances. There are no specific mandated non-wage benefits or tax credits for workers in the apparel and footwear industries.

A U.S. Social Security Administration survey[5] elaborates on four different non-wage benefit programs in which employers must enroll their employees: (1) a social insurance system, begun in 1950, for old age, disability, and death benefits, in which the insured person pays 14 percent of the basic wage and 11 percent of the variable wage, employers pay 26 percent of the basic wage and 24 percent of the variable wage, and the government pays 1 percent of the payroll plus any deficit; (2) for sickness and maternity benefits, which were implemented in 1964, the insured person pays 1 percent of earnings, employers pay 4 percent of the payroll, and the government pays nothing; (3) work injury benefits, which began in 1936 and into which the employer pays 3 percent of the payroll and the insured person and the government pay nothing; and (4) unemployment insurance, which is a compulsory insurance system, begun in 1959, into which the employer pays 2 percent of payroll and the government covers any deficit.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There is no officially accepted poverty line. A compendium of poverty and income distribution statistics prepared by the International Labor Organization[6] reports several sets of household poverty measures for Egypt:

! for 1984, 34.0 percent of the urban Egyptian households were below the poverty line of annual per

[5] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 112-114.

[6] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 47-48.

capita income of £E1,794.7 and 33.7 percent of the rural Egyptian households were below the poverty line of annual per capita income of £E1,354.0, for a national household poverty rate of 33.8 percent.[7]

- for 1981/82, 26.2 percent of the urban Egyptian households and 18.7 percent of the rural Egyptian households were below the national poverty line; for 1990/91, 29.2 percent of the urban Egyptian households and 20.8 percent of the rural Egyptian households were below the national poverty line.[8]

The World Bank reports[9] that, in 1990-91, 51.9 percent of the Egyptian population was below the international poverty line of US$2 per person per day and 7.6 percent of the population was below the standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Egypt meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that base pay is supplemented in Egypt by a complex system of fringe benefits and bonuses, which may double or triple a worker's take-home pay. However, an average worker and family could not survive on a worker's base pay at the minimum wage rate.[10] The U.S. Embassy is not aware of any studies on the issue of a living wage in Egypt.

---

[7] The estimates are referenced as originating from Karima Korayem, *The Impact of Economic Adjustment Policies on the Vulnerable Families and Children in Egypt* (Cairo: United Nations Children's Fund [UNICEF], 1987), p. 46. The report presents separate estimates of income poverty lines for families in urban and rural areas, based on the Family Budget Survey 1981/82. The methodology involved: (1) determinating the minimum required levels of calories and protein for the average household in each area, based on FAO/WHO recommendations, and the age and sex distribution of the respective populations (5.8/5.2 members per average rural/urban household); (2) determinating three different types of typical diets in each area, using data on food consumption patterns from the national Nutrition Institute; (3) estimating the minimum food expenditures by taking the average cost of the three diets in each area, using the official food price lists published by the Egyptian Central Agency for Public Mobilisation and Statistics (CAPMAS) and the Ministry of Supply; (4) estimating minimum expenditures by dividing food costs by relevant food expenditure ratios from the survey; and (5) determinating the corresponding poverty line incomes. See Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 156.

[8] The estimates are referenced as originating from a background paper by Hanaa Kheir-el-Din, "Assessment of Poverty in Egypt Using Household Data," mimeograph (1993), p.19, for the United Nations Economic and Social Commission for Western Asia (ESCWA), *A Conceptual and Methodological Framework for Poverty Alleviation in the ESCWA Region*, E/ESCWA/SED/1993/19 (December 19, 1993), p. 16. No further information is provided as to how the poverty lines were determined.

[9] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

[10] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1659.

EL SALVADOR[1]

MINIMUM WAGE

Articles 144-146 of the Labor Code guarantee all workers a minimum wage that "sufficiently covers normal necessities of (workers') household." Articles 143-154 set up a National Minimum Wage Board composed of seven members: three from the government (with one representative each from the Ministries of Labor, Economy, and Agriculture); two from the labor sector (drawn from labor federations); and two from the business sector (drawn from business organizations). The board, in consultations with the National Economic Planning and Coordinating Commission, can recommend changes of the minimum wage to the President. If accepted, the minimum wage is legally changed by a Presidential Decree. Minimum wages vary by industry and differ by certain urban and rural areas of the country. The Labor Ministry is responsible for enforcing minimum wage laws and does so effectively in the formal sector.[2]

As of February 1999, the daily minimum wage for private industry was 42.00 colones (C)—about 4.81 U.S. dollars (US$). The daily minimum wage for private industry from July 1995 through May 1998 was C38.50 (US$4.40). In comparing the Salvadoran minimum wage to other countries, it is important to note that by law, full-time employees receive 7.0 days (56 hours) of pay for working the normal 5.5 day (44 hours) week.

For El Salvador, the minimum wage is more than a lower limit for salaries. The majority of private sector companies, including virtually all maquilas, use the minimum wage as a base line for comprehensive pay schedules. Thus, increasing the minimum wage automatically generates a proportional pay increase for all employees earning hourly wages.

PREVAILING OR AVERAGE WAGE

The apparel industry in El Salvador consists primarily of in-bond assembly plants (maquilas) and—since the signing of the peace accords in 1992—has been El Salvador's principal source of new employment. It is currently the second most important (and fastest growing) export sector for the country. Apparel plants represent over 90 percent of the total maquila sector. There are no Salvadoran laws on wages and benefits specific to the apparel industry or maquila sector; all employment is governed by the national labor code.

---

[1]Unless noted otherwise, information presented here is from American Embassy—San Salvador, unclassified telegram No. 607 (February 22, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 628.

Determining prevailing wages in the apparel maquila industry is difficult due to lack of comprehensive data. The first of two currently available systematic surveys of wages in the maquila sector was conducted in 1995-1996 by the Office of the Ombudsman for the Defense of Human Rights (the independent, but state-financed human rights organization, PDDH); the report's sampling technique and analysis appear well designed and credible. This survey of maquila workers found that:

21.3 percent received 75- 99 percent of minimum wage;
42.3 percent received 100-107 percent of minimum;
25.1 percent received 108-140 percent of minimum;
8.4 percent received 141-224 percent of minimum; and
1.6 percent received 225 percent or more than the minimum wage.

The survey reported that 0.8 percent of the sample did not know how much they made and 0.5 percent did not respond to the question.

Employers are not required to pay minimum wage to new workers during their initial training period. Maquila plants have a fairly large turnover rate, and there is a constant influx of new workers throughout the year. This may be one of the factors affecting the size of the group receiving less than minimum wage. The survey also indicated that women represented over 91 percent of the workers in the three lowest wage categories, but only 62 percent of the workers in the two highest wage categories.

The second wage survey, which used social security data, was conducted in August 1998 by the National Association of Private Enterprise (ANEP), one of the country's foremost business organizations. According to the study, in 1997, the minimum wage was C38.5 a day or about C1,155 a month. The ANEP reported that average monthly maquila wages were:

C1,339 (US$153) for plants with 5-10 workers;
C1,527 (US$174) for plants with 10-50 workers;
C1,588 (US$182) for plants with 50-190 workers;
C1,755 (US$201) for plants with over 100 workers; and
C1,600 (US$183) overall for the entire sector.

Based on the U.S. Embassy's field observations and information from a variety of sources, the maquila apparel sector generally pays more than minimum wage—making these jobs some of the most sought after in the country. The large maquilas, especially those operated by U.S. multinationals and plants located in export processing zones (EPZs), have prevailing wages much higher than minimum.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in El Salvador for production workers in the manufacturing sector and in the textile and apparel industry. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week by production workers in manufacturing were 46.0 for the years 1990 through 1996.[4] Data were not available from the ILO on average weekly hours worked by production workers in the textile and apparel industry. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Hourly Earnings in All Manufacturing and Textiles and Apparel[5]

Year	All Manufacturing		Textiles & Apparel				Real Earnings Index (C; 1990=100)		
	All Workers		Male Workers		Female Workers		Manuf.	Textiles & Apparel	
	(C)	(US$)	(C)	(US$)	(C)	(US$)	All Wkrs	Males	Females
1990	3.27	0.41	3.37	0.41	2.53	0.32	100	100	100
1991	4.08	0.50	na	na	na	na	109	na	na
1992	4.63	0.50	na	na	na	na	111	na	na
1993	5.35	0.62	5.50	0.63	5.03	0.58	108	108	132
1994	6.20	0.71	6.26	0.72	5.93	0.68	114	111	141
1995	6.88	0.79	6.99	0.80	6.70	0.77	115	113	144
1996	7.50	0.86	7.72	0.88	7.33	0.84	114	114	144
1997	na	na	na	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 889.

NON-WAGE BENEFITS

There are no government-mandated non-wage benefits designated only for the apparel or maquila industry. All employers in the private sector are required by law to give workers paid days off for national holidays (*asueto*), a yearly Christmas bonus of two-week's pay (*aguinaldo*), and (for workers with more than one year of service) a yearly paid two-week vacation with vacation bonus of 30 percent of a two-week pay period. In addition, workers earn mandated separation pay, accumulated at roughly one-month's base pay per year worked (or fraction thereof), payable at the time of the termination of their employment.

Individual maquila plants (notably larger companies) and many EPZ park operators offer significant

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 737.

[5] Data were available only for the combined industry of textiles and apparel, with separate earnings data for male and female workers.

voluntary benefit packages which may include medical facilities and services in or near the plant, low or no interest personal loans, sales of subsidized groceries and goods, sports and recreation facilities for workers and families, subsidized or low-cost meals at work, and free transportation.

A U.S. Social Security Administration survey[6] elaborates on three non-wage benefit programs employers in El Salvador must enroll for their employees: (1) a social insurance program, started in 1953, which covers old age, disability, and death benefits, and now also includes mandatory private insurance. A new law, which took effect in 1997, will eventually phase out the older system. Under the provisions of the new system, the insured person pays 3 percent of earnings, the employer pays 4.5 percent of the payroll, and the government guarantees a minimum pension; (2) sickness and maternity benefits, first established in 1949, for which the insured person pays 3 percent of earnings, the employer pays 7.5 percent of the payroll, and the government pays an annual subsidy; and (3) work injury benefits program, begun in 1911, for which the contributions are the same as for sickness and maternity.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Office of Statistics and Census in the Ministry of Economy (Dirección General de Estadística y Censos [DIGESTYC], Ministerio de Economía) establishes poverty levels every month, based on the cost of a basic food basket (consisting of milk, meat, beans, rice, tortillas, and seasonal vegetables) and other essential goods and services (housing, clothing, and other miscellaneous items such as health care, education, and transportation) for an urban family of 4.3 people and a rural family of 5.9 people. Typically, a household has more than one wage earner. Two different poverty classifications are used, relative poverty (income insufficient to purchase the minimum basket of goods and services, including the basic food basket) and extreme poverty (income insufficient to purchase the basic food basket), for the urban and the rural populations. As of January 1999, the levels for each, based on monthly household income, were:

Relative Poverty	Poverty Line	Extreme Poverty	Poverty Line
Urban	C2,590 (US$296)	Urban	C1,295 (US$148)
Rural	C1,808 (US$206)	Rural	C904 (US$103)

The Center for the Defense of the Consumer (Centro para la Defensa del Consumidor—CDC), an NGO, has also developed poverty lines for a family of 4.2 persons, based on the cost of a basic food basket (*canasta mínima familiar*)—extreme poverty—and the cost of an expanded basket of food and other goods and services such as cleaning and personal hygiene products and some basic services such as water, electricity, gas for cooking, and transportation (*canasta básica ampliada*)—relative poverty. According to the CDC, for November 1998, the extreme poverty line was C2,236.82 per month, with 23.3 percent of the urban and 33.6 percent of the rural population below this poverty line, and the relative poverty line was C2,619.78 per month, with 30.5 percent of the urban and 32.5 percent of the rural population below

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 115-117.

this poverty line.[7]

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[8] reports several sets of measures of a national poverty line for El Salvador:

! for 1978, 32 percent of the rural Salvadorian population was below the rural poverty line of annual per capita income of US$203 and 20 percent of the urban Salvadorian population was below the urban poverty line of annual per capita income of US$317, with a national poverty rate of 27 percent.[9]

! for 1990, 14.9 percent of the urban Salvadorian population was below the poverty line of a monthly per capita income of US$30 in 1985 purchasing power parity adjusted US$ and 41.5 percent of the urban population was below the poverty line of a monthly income of US$60 in 1985 purchasing power parity adjusted US$.[10]

! for 1980, 76 percent of the rural Salvadorian households were below the poverty line.[11]

---

[7] Centro para la Defensa del Consumidor (CDC), "Tasa de Inflación Mensual y Acumulada: Costo Ponderado de Canasta Mínima Familiar y Canasta Ampliada, CDC-DIGESTYC: Breve análisis a noviembre de 1998," public submission by the Chicago Religious Leadership Network on Latin America (CRLN) in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

[8] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 60.

[9] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1988* (Washington: World Bank, 1988). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[10] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[11] The estimate is referenced as originating from the UN Economic Commission for Latin America (ECLA), "Notas sobre la Evolución del Desarrollo del Istmo Centroamericano hasta 1980," mimeographed , Mexcio City (1982),

- for 1991/92, 55.7 percent of the rural and 43.1 percent of the urban Salvadorian households were below the poverty line, with a national household poverty rate of 48.2 percent.[12]

The World Bank reports[13] that, in 1992, 48.3 percent of the Salvadoran population was below the national poverty line, with 43.1 percent of the urban population and 55.7 percent of the rural population living below the national poverty line.

The World Bank reported in 1994 that those in poverty and extreme poverty are predominantly in rural areas of El Salvador.[14] Sixty one percent of all the country's poor and 67 percent of the extremely poor live in rural areas. The incidence of poverty is lowest in the San Salvador metropolitan area with 24 percent of the country's poor and 14 percent of the extremely poor. Poverty is largely a problem of underemployment and low productivity rather than one of widespread unemployment. The majority of the rural poor are engaged in agriculture as self-employed or salaried workers. The majority of the urban poor are engaged in informal sector activities in the commerce, cottage manufacturing, and agricultural sectors. Poor female-headed households make up a large share of poor households in urban areas, but this pattern does not hold for rural areas.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in El Salvador meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage with benefits does not provide a decent standard of living for a worker and family in El Salvador.[15] The U.S. Embassy has not found any studies on the living wage in El Salvador.

p. 21. No further information is provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 60.

[12] The estimates are referenced as originating from the World Bank, *El Salvador: The Challenge of Poverty Alleviation*, Report No. 11380-UG (Washington: World Bank, 1994), p. 11. No further information is provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 60.

[13] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

[14] World Bank, *The Challenge of Poverty Alleviation* (Washington: World Bank, 1994), p. 5.

[15] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 628.

GUATEMALA[1]

MINIMUM WAGE

A trilateral committee representing labor, management, and the Ministry of Labor is named each year to make recommendations for increases in the minimum wage. Traditionally, business has been represented by persons chosen by CACIF (the "umbrella" business chamber that includes commercial, industrial, agricultural, and financial interests), labor is represented by persons selected by the larger labor federations, and the Ministry of Labor is represented by the Minister of Labor or his or her representative. In the event that agreement is not possible, the government may decree such increases. Such has been the case for the past two years, since the tripartite committee has been unable to agree to any changes in the minimum wage. As a result, both in December 1997 and January 1999, the President has exercised his authority as the chief executive to mandate changes in the minimum wage.

The minimum-wage level is established for each industry, with an effort to recognize the different job skills prevalent in some industries. New minimum wage levels set for certain industries need not be set across the board.

In January 1999, the Ministry of Labor announced that the President had decided to increase the minimum wage by 10 percent. As a result, the agricultural daily minimum wage is currently 19.64 quetzales (Q), about 2.87 U.S. dollars (US$) at the exchange rate of Q6.85 to US$1, while the daily nonagricultural minimum is Q21.68 (US$3.16). The table below presents the minimum wage rates for prior years.

Daily Minimum Wage Rates, 1991-99

Period	Industrial Workers		Farm Workers	
	(Q)	(US$)	(Q)	(US$)
Late 1991-September 1994	14.00	2.42	11.60	2.00
October 1994-December 1995	16.00	2.80	14.50	2.55
January 1996-November 1997	17.60	2.93	15.95	2.66
December 1997-December 1998	19.71	3.03	17.86	2.75
January 1999-	21.68	3.16	19.64	2.87

Source: U.S. Department of State, *Country Reports on Human Rights Practices*, Guatemala, Section 6e, 1993-98.

[1] Unless noted otherwise, information presented here is from American Embassy—Guatemala, unclassified telegram No. 784 (February 26, 1999).

The legal workday is 8 hours, and the workweek is 44 hours, but a tradition of longer hours remains in place due to economic conditions. The amended Labor Code requires a weekly rest period of at least 24 hours.[2]

PREVAILING OR AVERAGE WAGE

The average "core" daily wage in the maquila apparel sector is Q35 (US$6.11). By law, all workers are paid an additional two months of salary per year (an *aguinaldo* at Christmas and a "14th month bonus" in July). Market conditions usually compel employers to offer food and transport subsidies as well a performance bonuses. Some companies also offer a health clinic on premises.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Guatemala for all employees in the manufacturing sector. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Data were not available from the ILO on average weekly hours worked by production workers in manufacturing or in the textile and apparel industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing

Year	All Manufacturing		Real Earnings Index (Q; 1990=100)
	(Q)	(US$)	All Manufacturing
1990	474	106	100
1991	578	115	92
1992	686	133	99
1993	775	138	100
1994	868	151	101
1995	1138	196	122
1996	1369	226	132
1997	1430	236	126

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 890.

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 648.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

NON-WAGE BENEFITS

Government mandated non-wage benefits for private-sector workers, paid by the employer, are as follows (as a percentage of wages paid to the employee):[4]

7th day bonus on completion of work week	16.67 percent
Paid holidays (12 days per year)	3.84 percent
Paid vacation (15 days per year)	4.80 percent
July bonus (1 month's salary)	8.33 percent
Christmas bonus (1 month's salary)	8.33 percent
Severance pay (1 month's pay for each year worked)	8.33 percent
Employee recreation fund (IRTRA)	1.00 percent
Technical training fund (INTECAP)	1.00 percent
Social security	10.00 percent
Total	62.30 percent

In addition, female workers are granted maternity leave of 84 days, and one hour per day for 300 days for breast-feeding after giving birth.

A U.S. Social Security Administration survey[5] elaborates on three non-wage benefit programs in which employers in Guatemala must participate on behalf of their employees: (1) a social insurance system for old age, disability, and death benefits, which began in 1969, in which the insured person pays 1.5 percent of their earnings, the employer pays 3 percent of the payroll, and the government pays 25 percent of the cost of benefits paid; (2) another social insurance program sickness (begun in 1946) and maternity (begun in1953) benefits, in which the insured person pays 2 percent of their earnings, the employer pays 4 percent of the payroll, and the government pays 2 percent of the payroll; and (3) work injury insurance, which began in 1947 and the insured person pays 1 percent of their earnings, the employer pays 3 percent of the payroll, and the government pays 1.5 percent of the payroll.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Both the consumer price index and the development of poverty indicators fall within the purview of the National Statistical Institute (INE). A measure of extreme poverty is based on the cost of a basic food basket that meets recommended daily calorie requirements (*canasta básica de alimentos*), and a more comprehensive poverty measure is based on the cost of a market basket of goods and services (*canasta básica vital*) that takes into account things a family needs to survive at a minimal level such as food, clothing, housing, repairs, transportation, and entertainment. The poverty lines are based on an average

[4] Embassy of Guatemala, public submission in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

[5] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 150-151.

family size of 5.38 persons. In August 1998, the monthly cost of the basic food basket (extreme poverty line) was Q1,155.86 (US$168.74) per family and the monthly cost of the basket of basic goods and services (poverty line) was Q2,109.20 (US$307.91) per family.[6] According to one source,[7] about 60 percent of the Guatemalan population is living in poverty and 20 percent in extreme poverty.

The U.S. Department of State reports that the United Nations Development Programme (UNDP) has estimated that 80 percent of the Guatemalan population lives below the poverty line, including approximately 60 percent of those employed.[8] But the UNDP's *Human Development Report 1999* reports that, in 1989-94, 58 percent of the Guatemalan population was below the national poverty line in 1989-94 and 53 percent of the population was below the international poverty line of US$1 per person per day in 1985 purchasing power parity adjusted US$.[9]

TheWorld Bank reports[10] that, in 1989, 76.8 percent of the Guatemalan population was below the international poverty line of US$2 per person per day and 53.3 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[11] reports several of measures of a national poverty line for Guatemala:

- for 1978, 74 percent of the rural Guatemalan population was below the rural poverty line and 66 percent of the urban population was below the urban poverty line, with a national poverty rate of 71 percent.[12]

---

[6] Embassy of Guatemala, public submission in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

[7] See Commission for the Verification of Corporate Codes of Conduct (COVERCO), *Maquilas and Cost of Living in Guatemala: A Preliminary Overview* (Baltimore: Marianist Sharing Fund, October 1998), p. 7, which cites these figures as coming from a June 1998 report *Guatemala: Dissimilarities in Development* (in Spanish) by the United Nations Development Programme.

[8] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 648.

[9] United National Development Programme (UNDP), *Human Development Report 1999* (New York: Oxford University Press, 1999), p. 147.

[10] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

[11] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 60-61.

[12] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1988* (Washington: World Bank, 1988). The poverty estimates are based upon an estimated absolute poverty income level [but are not provided in the ILO compendium] below which a minimal nutritionally adequate diet plus essential non-food

- for 1980, 83.7 percent of the rural Guatemalan population was below the rural poverty line of a per capita monthly budget of Q84 in second half of the year 1988 prices and 47.0 percent of the urban Guatemalan population was below the urban poverty line of a per capita monthly budget of Q122 in second half of the year 1988 prices, with a national poverty rate of 71.1 percent; for 1986, 79.7 percent of the rural population was below the rural poverty line and 60.3 percent of the urban population was below the urban poverty line, with a national poverty rate of 73.2 percent.[13]

- for 1989, 79.4 percent of the rural Guatemalan population and 54.8 of the urban Guatemalan population were below the poverty line of a monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$, with a national poverty rate of 70.4 percent.[14]

MEETING WORKERS' NEEDS

---

requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[13] The estimates are referenced as originating from the Economic Commission for Latin America and the Caribbean (ECLAC), *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115-116. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[14] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Table 13.1 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Guatemala meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is insufficient to provide a decent standard of living for a worker and family. Although the law sets minimum wages, the legally mandated minimum wage for most unskilled and semiskilled workers is not always paid.[15] The U.S. Embassy reports that neither the Ministry of Labor nor local labor federations know of any locally-developed studies on the issue of a "living wage" in Guatemala.

According to the U.S./Guatemala Labor Education Project (Proyecto de Solidaridad Laboral EUA/Guatemala), Article 130 of the Guatemalan Labor Code contains the following sentence:[16]

> Every worker has the right to receive a minimum salary that covers his normal material, moral and cultural needs, and that permits him to satisfy his duties as head of family.

[15] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 648.

[16] Copy of a letter of December 12, 1997, from Stephen Coats to Karen Leahy and Jeff Hermanson; public submission by the Chicago Religious Leadership Network on Latin America (CRLN) in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

HONDURAS[1]

MINIMUM WAGE

Minimum wages are set according to economic sector and geographic area; they cover only private sector workers and exclude managers, administrators, and professionals, and domestic service workers. The tripartite Minimum Wage Commission establishes the minimum wage by consensus, taking as a base the annual economic study prepared by the Directorate General of Salaries under the Ministry of Labor and Social Security. In the event the Commission is unable to come to a consensus within the period required by law, the President has the legal authority to increase the minimum wage.

The federal government normally sets new minimum wage levels in January of each year. In November 1998, however, consultations between the government and representatives of employers and workers in the wake of Hurricane Mitch resulted in a governmental decision to freeze national minimum wage levels at their current levels through June 1999. The Minimum Wage Commission will convene in June to determine whether minimum wage levels should be adjusted, and if so, whether new levels would be made retroactive. The official daily minimum wage in lempiras (L)—1 U.S. dollar (US$) is equivalent to 14 lempiras—for workers in the maquiladora (i.e., apparel and footwear) sector was L24.50 in 1995, L30.00 in 1996, L39.65 in 1997, and L46.80 in 1998 and to date in 1999.

Minimum wages vary by economic sector and geographical zone, with the lowest rates occurring in the non-export agricultural sector and the highest rates in the export sector. Urban-zone workers earn slightly more than those in the country. The law prescribes a maximum 8-hour workday and a 44-hour workweek. There is a requirement of at least one 24-hour rest period every 8 days.[2]

PREVAILING OR AVERAGE WAGE

Most maquiladoras in Honduras base their wage scales on production and efficiency, so that the basic wage of the average laborer in the apparel and footwear sectors fluctuates between double and triple the official minimum wage.

No data were available for Honduras from the International Labor Organization (ILO) on average wages or hours worked in the manufacturing sector or in the apparel or footwear industries.

---

[1] Unless noted otherwise, information presented here is from American Embassy—Tegucigalpa, unclassified telegram No. 979 (March 26, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 679.

NON-WAGE BENEFITS

Honduran workers are exempt from paying taxes on the first L70,000 of income, and they can deduct an additional L20,000 for medical and educational expenses. Honduran companies are required by law to make the following contributions, based on their global payrolls, to the government:

- 7 percent to the Honduran Social Security Institute, which provides basic medical attention to all workers;
- 1.5 percent to the Social Housing Fund, which provides limited housing subsidies; and
- 1 percent to the National Institute for Professional Development, which provides job training.

Companies also are required by law to make the following direct payments to their employees:

- one day's additional salary each week;
- one day's additional salary for each of 11 national holidays;
- annual paid vacation equivalent to 10, 12, 15, or 20 workdays, based after 1, 2, 3, or 4 years, respectively, of service;
- bonus payments of a month's salary in June and December of each year;
- an annual educational bonus, based on a percentage of annual salary;
- maternity and lactation bonuses; and
- severance or retirement payments for workers laid off or dismissed without cause, based on years of employment.

Most Honduran maquiladoras voluntarily subsidize transportation and meals for their employees, and provide bonuses for efficiency, punctuality, and informal holidays, such as Mother's Day.

A U.S. Social Security Administration survey[3] elaborates on four different non-wage benefit programs in which employers in Honduras are required to participate on behalf of their employees: (1) old age, disability, death social insurance program, begun in 1959, in which insured persons pay 1 percent of their earnings, employers pay 2 percent of the payroll, and the government pays 1 percent of the payroll; (2)

---

[3] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 160-161.

sickness and maternity benefits, first legislated in 1952, in which insured persons pay 2.5 percent of their earnings, employers pay 5 percent of the payroll, and the government pays 2.5 percent of total covered earnings; (3) work injury benefits, first begun in 1952, are included under sickness benefits above; and (4) unemployment insurance, which has been part of the Labor Code since 1959 and requires employers to pay dismissed employees a lump sum based on length of service, not to exceed 11 months' wages.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Planning Secretariat (SECPLAN) in the Office of the President of the Republic each year prepares an analysis of relative levels of poverty and potential in which households nationwide are categorized as "below the poverty line" (broken down into "indigent" and "poor") and "not poor." Among the major indices analyzed are prices of baskets of basic goods (categorized by region), an annual survey of household expenses, the proportion of total expenditures on food in household consumption, actual reported and estimated unreported incomes, and real incomes adjusted by region. The Planning Secretariat has yet to issue its 1998 analysis, as it is in the process of compensating for nationwide shortfalls of goods, services, and income in the wake of Hurricane Mitch. Its estimates of levels of poverty and potential, by percentage of households, for 1995-1997, are:

Household Description	1995	1996	1997
Indigent	47.4	53.7	48.4
Poor	20.4	15.0	17.4
Below the poverty line (indigent + poor)	67.8	68.7	65.8
Not poor	32.3	31.3	34.2

The Honduran Women's Collective (Colectiva de Mujeres Hondureñas—CODEMUH) has preformed an analysis of the social conditions and well-being of maquila workers in Honduras.[4] The analysis compares the minimum wage of a maquila worker (L46.80 per day) to the cost of a market basket of basic goods and services for a family of five (*canasta básica familiar y vivienda*) as compiled by official sources. The daily cost of this basic basket over the last 8 years is as follows:

	1990	1991	1992	1993	1994	1995	1996	1997	
Cost of Basic Market Basket (for a family of five; L per day)		16.43	23.59	25.28	27.76	34.64	42.95	55.43	69.10

The basic market basket for a family (in 1997, L69.10 per day or L2,073 per month) excludes health care,

[4] Colectiva de Mujeres Hondureñas—CODEMUH, "Este es mi salario esta es... mi economía," (Choloma, Cortés, no date), which is based on information from the *Heraldo Económico*; public submission by the Chicago Religious Leadership Network on Latin America (CRLN) in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

transportation, entertainment, and school expenses, which CODEMUH estimates would add L700 per month. This expanded market basket (*canasta básica ampliada*) for a family of five would have cost L2,773 per month in 1997.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[5] reports several sets of measures of a national poverty line for Honduras:

- for 1978, 55 percent of the rural Honduran population was below the rural poverty line of an annual per capita income of US$180 and 14 percent of the urban Honduran population was below the urban poverty line of an annual per capita income of US$255, with a national poverty rate of 37 percent.[6]

- for 1992, 84 percent of the rural and 71 percent of the urban Honduran population were below the poverty line, with a national poverty rate of 78 percent.[7]

- for 1989, 82.6 percent of the rural and 54.4 percent of the urban Honduran population were below

---

[5] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 62.

[6] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[7] The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC, *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990). The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

the poverty line of a monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$.[8]

! for 1991, 73.0 percent of all Honduran families were below the poverty line of L150.3 per capita per month for rural families and L309.1 per capita per month for urban families.[9]

The World Bank reports[10] that, in 1992, 50 percent of the Honduran population was below the national poverty line, with 56 percent of the urban population and 46 percent of the rural population living below the national poverty line. For the same year, in terms of international poverty lines, the World Bank reports that 75.7 percent of the Honduran population was below the international poverty line of US$2 per person per day and 46.9 percent was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Honduras meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is considered insufficient to provide a standard of living above the poverty line for a worker and family. Labor leaders have claimed that the government has ignored salary issues for workers earning above the minimum wage (for example those in maquiladoras and in other industries such as banking) and have called for an across-the-board increase of 40 percent for all workers.[11] The U.S. Embassy has been unable to identify any local study on the "living wage" and considers it likely that none exists, as the "living wage" is virtually unknown in Honduras as a political or socioeconomic concept.

---

[8] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Table 13.1 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[9] The estimate is referenced as originating from Jorge Navarro, "Poverty and Adjustment: The Case of Honduras", *CEPAL Review*, No. 49 (April 1993), pp. 91-101. The study is based on the Multipurpose Permanent Household Surveys conducted by the Ministry of Planning, Coordination and the Budget (SECPLAN). The SECPLAN-defined basket of staple foods is costed at urban and rural prices compiled by the Central Bank. The food share is assumed to be 50 percent in the urban areas and 75 percent in the rural areas. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 162.

[10] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 196.

[11] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 679.

HONG KONG[1]

MINIMUM WAGE

Wage levels in Hong Kong are customarily fixed by individual agreement between employer and employee. There is no statutory minimum wage except for foreign domestic workers. The minimum wage rate for foreign domestic workers was 3,750 Hong Kong dollars (HK$) per month in 1995 and 1996. As of December 1996, this rate was increased to its current level of HK$3,860, about 500 U.S. dollars (US$), per month.[2]

PREVAILING OR AVERAGE WAGE

Due to rising costs, Hong Kong apparel and footwear manufacturers have shifted most of their production capacity to mainland China. As a result, the number of Hong Kong workers employed by the apparel sector has fallen from 120,000 in 1993 to 45,000 in 1998. During the same period, the number of workers in the footwear industry has declined from 1,350 to fewer than 200. The Census and Statistics Department stopped compiling wage data on the footwear industry in 1994 because the number of workers employed by the industry had fallen to such a low level.

The table below presents available data from the International Labor Organization (ILO) on average daily earnings (direct wages per worker) in Hong Kong for production workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week by production workers in manufacturing were 44.4 for the years 1990 through 1997;[4] however, no data were available from the ILO for average hours worked per week by production workers in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current

[1] Unless noted otherwise, information presented here is from American Consul—Hong Kong, unclassified telegram No. 1193 (February 26, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1997* (Washington: U.S. Government Printing Office, March 1998), p. 753.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 745.

earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (HK$; 1990=100)			
	(HK$)	(US$)	(HK$)	(US$)	(HK$)	(US$)	Manuf.	Apparel	Footwear	
1990	179.5	23.04	171.6	22.03	182.5	23.43	100	100	100	
1991	200.7	25.83	188.0	24.19	193.5	24.90	100	98	95	
1992	218.6	28.24	201.3	26.01		191.9	24.79	100	96	86
1993	241.7	31.25	212.6	27.48	na	na	102	94	na	
1994	266.6	34.50	231.0	29.89	na	na	104	94	na	
1995	278.0	35.94	238.5	30.83	na	na	100	89	na	
1996	296.9	38.39	247.2	31.96	na	na	100	87	na	
1997	322.6	41.67	261.1	33.72	na	na	103	87	na	
1998	336.0	43.38	250.5	32.34	na	na	104	81	na	

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 903. For 1998, Census and Statistics Department, Hong Kong Special Administrative Region, *Half-Yearly Report of Wage Statistics* (March 1998 and September 1998), Table 6.

NON-WAGE BENEFITS

Hong Kong provides no special government-mandated non-wage benefits or tax credits for workers in the apparel and footwear industry. Like other workers, however, they are covered by employer-sponsored workmen's compensation and receive an end-of-year payment equal to one month's salary, as well as 7-14 days of annual leave (depending on length of service), sick leave, and 10 weeks of maternity leave.

A U.S. Social Security Administration survey[5] elaborates on several non-wage benefits programs in Hong Kong: (1) old age, disability, and death benefits program is a dual universal and social assistance system program that was begun in 1971 and for which the government pays the entire cost; (2) sickness and maternity benefits and work injury benefits programs are part of a dual employer liability and social assistance system that was begun in 1968 and for which the employer pays the entire cost of the employer liability program and the government pays the entire cost of the comprehensive social security system; (3) unemployment benefits, begun in 1977, is a social assistance system in which the government pays the entire cost; and (4) family allowances program, begun in 1971, in which the government pays the entire cost.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Hong Kong Government has not established an official poverty line. In discussions with legislators, government officials have noted that some international studies have recommended setting the poverty line

[5] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 162-163.

at one-half the median household income. In Hong Kong, the median household monthly income in 1998 was HK$18,000 (approximately US$2,300); one-half of that would be HK$9,000 (approximately US$1,150). Government officials have also reported that, in 1998, 329,800 households (16.4 percent of all households) had monthly incomes below HK$8,000 (roughly US$1,030) and 231,400 households (11.5 percent of all households) had monthly incomes below HK$6,000 (about US$770). The number of persons earning less than HK$6,000 a month in 1998 totaled 410,000, of which 310,000 were women.

In 1998, a meeting of the Panel on Welfare Services reviewed methods and studies to assess poverty in Hong Kong and noted several results:[6]

- A December 1996 study by the Hong Kong Council of Social Service (HKCSS) and Oxfam Hong Kong found 640,000 persons in Hong Kong (11 percent of the population) lived in abject poverty.

- A September 1997 study by the Hong Kong Social Security Society (HKSSS) found 850,000 persons in Hong Kong (13 percent of the population) lived in abject poverty; the study used a poverty line of HK$2,500 per person per month and was based on 1996 official census data.

- A October 1997 proposal by some Hong Kong academics to use the number of recipients of Comprehensive Social Security Assistance (CSSA) as a proxy for the number of poor in Hong Kong. The cost of basic needs method is used by the government as a reference point in determining CSSA assistance payments. According to a Social Welfare (Social Security) official, the average payment to an individual under the CSSA program was HK$3,000 per month and compared favorably to the U.S. poverty standard of US$14.40 per person per day,[7] or HK$3,500 per person per month.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Hong Kong meet workers' basic needs. Some information from U.S. Department of State or U.S. Consulate General reports indicates more generally that the average wage in Hong Kong generally provides a decent standard of living for a worker and family, but two-income households are the norm. Foreign domestic workers—the only workers in Hong Kong covered statutorily by minimum wage provisions—have a decent standard of living because the law requires employers to provide foreign domestic workers with housing, worker's compensation insurance, travel allowances, and meals or a meal

[6] Provision Legislative Council, *Panel on Welfare Services (Minutes)*, PLC Paper No. CB(2) 1476 (Hong Kong, March 24, 1998), Item I, The Measurement of Poverty (Research Report RP 07/PLC, PLC Paper No. CB(2) 1196).

[7] This probably refers to an international poverty measure for industrial countries, which is used by the United Nations Development Programme (UNDP),that coverts the U.S. poverty line into 1985 purchasing power parity adjusted US$. See United Nations Development Programme, *Human Development Report 1998* (New York: Oxford University Press, 1998), p. 186.

allowance in addition to the minimum wage.[8] The Consulate General has been unable to find any studies on the living wage in Hong Kong.

[8] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 886.

INDIA[1]

MINIMUM WAGE

The minimum wage is based on the Minimum Wages Act of 1948.[2] Setting the minimum wages in India is the responsibility of the respective state governments. There is no uniform national minimum wage in the country. Minimum wages vary by skill level, industry, and state.[3] There is no prescribed minimum wage for either the apparel or the footwear industry in any of the states where these products are manufactured.

The Minimum Wages Act is primarily applicable to workers in the unorganized (non-unionized) sector and empowers both the federal and state governments to fix and revise the minimum wage rates for the occupations which are covered by the Act and are under their respective jurisdictions.[4] The occupations listed under the federal sphere total 40, and include agriculture, mining, and road construction. The occupations listed under the state sphere vary from state to state, and range in number from 5 in Manipur to 72 in Bihar. In the organized sector, wages are normally set by collective bargaining; however, in some industries (e.g., newspaper, cement, and sugar), wage boards have been established.

Ranges of minimum wages for certain states as of November 1, 1996 are given below in Indian rupees (Rs) and U.S. dollars (US$):[5]

---

[1]Unless noted otherwise, information presented here is from American Embassy—New Delhi, unclassified telegram No. 2350 (March 24, 1999).

[2] See Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 67.

[3] For a listing of industries covered under the Minimum Wages Act for which the central government may set minimumwages, the detailed schedule of minimum wage rates it has set, and the detailed schedule of minimum wage rates by occupation/skill/industry set by each state under the Act, see R.K.A. Subrahmanya and Parduman Singh, *Minimum Wages in India: Scheduled Employments and Rates of Minimum Wages* (New Delhi: Social Security Association of India and Friedrich Ebert Stiftung, 1995). For excerpts from basic documents, reports, special commission recommendations, and court judgments related to minimum wages in India, see R.K.A. Subrahmanya and Parduman Singh, *Minimum Wages in India: Basic Documents* (New Delhi: Social Security Association of India and Friedrich Ebert Stiftung, 1995).

[4] American Embassy—New Delhi, unclassified telegram No. 1344 (February 19, 1998).

[5] American Embassy—New Delhi, unclassified telegram No. 1344 (February 19, 1998). Minimum wage rates as of November 1, 1996 were the latest available figures; conversion to U.S. dollars was made using the February 1998 exchange rate of Rs38.50 to US$1.

State	Rs per day	US$ per day
Andhra Pradesh	35.00 - 63.00	0.91 - 1.64
Bihar	27.30 - 39.70	0.71 - 1.03
Gujarat	34.00 - 57.90	0.88 - 1.50
Haryana	51.57 - 55.57	1.34 - 1.44
Karnataka	26.00 - 37.32	0.68 - 0.97
Maharashtra	9.25 - 80.35	0.24 - 2.09
Punjab	55.73 - 58.28	1.45 - 1.51
Delhi	64.50 - 68.00	1.68 - 1.77

The Factories Act defines a factory as a unit which employs 10 or more workers and utilizes power for its operations or has a minimum of 20 workers but does not use power for its operations. The Act establishes an 8-hour workday, a 48-hour workweek, and various standards for working conditions.[6]

PREVAILING OR AVERAGE WAGE

The broad range of prevailing wages in the apparel and footwear industries by skill level is:

Apparel

Unskilled	Rs 35 to 70 per day	(US$ 0.83 to 1.65 per day)
Skilled	Rs 80 to 150 per day	(US$ 1.89 to 3.55 per day)

Footwear

Unskilled	Rs 30 to 50 per day	(US$ 0.71 to 1.18 per day)
Skilled	Rs 60 to 110 per day	(US$ 1.42 to 2.60 per day)

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in India for production workers in the manufacturing sector and in the combined apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[7] Average hours worked per week by all employees were 46.5 in all manufacturing and 46.6 in the combined apparel and footwear industries for the years 1990 through 1995.[8] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March

[6] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

[7] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[8] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 745.

1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing and Apparel and Footwear

Year	All Manufacturing		Apparel & Footwear		Real Earnings Index (Rs; 1990=100)	
	(Rs)	(US$)	(Rs)	(US$)	Manuf.	Apparel & Footwear
1990	988.4	56	889.3	51	100	100
1991	1,019.3	45	1,001.3	44	91	99
1992	932.6	36	975.0	38	74	86
1993	977.4	32	773.0	25	73	64
1994	960.4	31	1,027.8	33	65	77
1995	1,211.0	37	1,196.4	37	74	82
1996	na	na	na	na	na	na
1997	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 904.

NON-WAGE BENEFITS

Mandated non-wage benefits for Indian workers are provident fund (social security), health insurance, yearly bonus, and severance pay. However, all these benefits are applicable only in establishments that fall under the Factories Act. A large number of small footwear and apparel manufacturing units do not come under the provisions of the Factories Act. Many of these units manufacture for domestic consumption and not for the export markets.

A U.S. Social Security Administration survey[9] elaborates on four different non-wage benefit programs in India, which apply only to workers in firms covered by the Factories Act: (1) old age, disability, and death benefit programs are comprised of the provident (begun in 1952), pension (begun in 1995), gratuity (begun in 1972), and insurance (begun in 1976) funds. The provident fund provides a lump-sum (total employee and employer contributions plus interest) old age benefit, into which the insured person pays 10 percent of their earnings and the employer pays 10 percent of their payroll plus 0.65 percent of payroll for administration. The pension fund provides an old-age monthly pension, into which the employer pays 8.33 percent of their contributions to the provident fund and the government pays 1.16 percent of the payroll. The gratuity fund pays a lump-sum (15 days' wages for each year of continuous service) and is financed entirely by the employer who pays about 4 percent of the payroll. The insurance fund pays a lump-sum (up to Rs35,000) and is also financed entirely by the employer who pays 0.5 percent of the payroll plus 0.01 percent toward administration. (2) sickness and maternity benefits, begun in 1948, in which the

[9] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 170-172.

insured person pays 1.75 percent of their earnings (none for employees whose average daily wage is below Rs25), employers pay 4.75 percent of the payroll of covered employees, and the state governments pay 12.5 percent of the cost of medical benefits; (3) work injury benefits, begun in 1923, which are now part of the social insurance system and have the same source of funds maternity and sickness benefits; and (4) unemployment insurance, which is a part of the labor code and requires employers to pay severance indemnity of 15 days' average pay for each year of employment; eleven states have instituted temporary unemployment programs funded by the government.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line in India is defined as the expenditure required for a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas. The government estimates this expenditure at Rs228.9 (US$5.41) per capita per month in rural areas and Rs264.1 (US$6.24) in urban areas at 1993-94 prices. The poverty line is estimated periodically by conducting sample surveys. These surveys are carried out by the government's central statistical organization.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports numerous sets of measures of a national poverty line for India:

! For 1979, 51 percent of the rural Indian population was below the rural poverty line (annual per capita income of US$114), 40 percent of the urban Indian population was below the urban poverty line (annual per capita income of US$132), with a national poverty rate of 48 percent.[11]

! For 1979/80, 53.3 percent of the rural Indian population was below the rural poverty line (monthly per capita expenditure of Rs49.09 in 1973/74 rural prices) and 43.0 percent of the urban Indian population was below the urban poverty line (monthly per capita expenditure of Rs56.64 in 1973/74 urban prices), with a national poverty rate of 51.1 percent;

for 1987/88, 32.7 percent of the rural population was below the same rural poverty line, 19.4

---

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 28-34.

[11] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

percent of the urban population was below the same urban poverty line, with a national poverty rate of 29.2 percent.[12]

- For 1987/88, 44.9 percent of the rural Indian population was below the rural poverty line (monthly per capita expenditures of Rs49.09 in 1973/74 rural prices), 36.5 percent of the urban Indian population was below the urban poverty line (monthly per capita expenditures of Rs56.64 in 1973/74 urban prices);

  for 1992, 48.1 percent of the rural Indian population was below the same rural poverty line, 33.9 percent of the urban Indian population was below the same urban poverty line.[13]

- For 1985, 61.4 percent of the rural and 36.5 percent of the urban Indian population were below the poverty line of US$31 per capita per month in 1985 purchasing power parity adjusted US$ (or Rs127), with a national poverty rate of 55.0 percent;

  for the same year, 37.9 percent of the rural and 17.5 percent of the urban Indian population were below the extreme poverty line of US$23 per capita per month in 1985 purchasing power parity adjusted US$ (or Rs94), with a national poverty rate of 32.7 percent.[14]

---

[12] The estimates are referenced as originating from the Government of India, Planning Commission, *Sixth Five-Year Plan, 1980-85: Mid-term Appraisal* (New Delhi, 1983) and *Seventh Five-Year Plan, 1985-90* (New Delhi, no date). The poverty lines are the official poverty lines for India used by the Planning Commission and are based on nutritional norms (a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas) which were recommended by a special Task Force set up in 1977. Based on household consumption expenditure data, the Commission used linear interpolation methods to arrive at point estimates of per capita monthly expenditure that were consistent with the minimum calorie intakes (Rs49.09 and Rs56.64 per capita per month at 1973/74 prices for rural and urban sectors, respectively). An implicit deflator of private final consumer expenditure is used to estimate current-price poverty lines for different years. The poverty lines are applied to adjusted consumption expenditure distributions to yield estimates of poverty in rural and urban areas. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 147-148.

[13] The estimates are referenced as originating fromSuresh D. Tendulkar and L.R. Jain, "Economic Reforms and Poverty," *Economic and Political Weekly*, Vol. 30, No. 23 (June 10, 1995), pp. 1373-1377. The urban and rural poverty lines are the same as the official poverty lines used by the Indian Planning Commission. The authors feel that the price deflator used by the Planning Commission is inappropriate and instead estimate regional (by state) rural and urban cost of living indexes. Also, expenditures on consumer durables are excluded from the consumption data since there were doubts about their reliability. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 149.

[14] The estimates are referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), p. 39. They are based on household consumption expenditure data from the Indian National Sample Survey (NSS) and internal World Bank data. An absolute poverty line, defined as the expenditure level below which basic needs cannot be satisfied, is used with two cut-off points corresponding to Rs94 per capita per month (extreme poverty) and Rs127 per capita per month (poverty) in 1985 prices. The first is the Indian poverty line for rural areas (derived by updating estimates in B.S. Minhas, L.R. Jain, S.M. Kansal, and M.R. Saluja, "On the Choice of Appropriate Consumer Price Indices

! For 1983, 73.5 percent of the Indian population was below the poverty line of US$30.42 per capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$;

for 1989/90, 70.9 percent of the national population was below this poverty line.[15]

The World Bank reports[16] that, in 1994, 35.0 percent of the Indian population was below the country-specific poverty line, with 36.7 percent of the rural and 30.5 percent of the urban population living below the poverty line; corresponding figures for 1992 were 40.9, 43.5, and 33.7 percent, respectively. The same source also reports that, in 1994, 87.5 percent of the Indian population was below the international poverty line of US$2 per person per day and 52.5 percent of the population was below the poverty standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

A recent World Bank country poverty assessment report[17] states that poverty in India remains widespread—35 percent of the population (37 percent rural and 31 urban) lived below the national poverty line in 1994 (the latest year for which household survey data are available). India has the largest concentration of poor people in the world, over 300 million (240 million rural poor and 72 million urban poor) particularly, in rural areas where almost three out of four Indians and 77 percent of the Indian poor live.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in India meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that minimum wages provide only a minimal standard of living for a worker, and are inadequate to provide a decent standard of living for a worker and family. However, most workers employed in units subject to the Factories Act receive much more than the

---

and Data Sets for Estimating the Incidence of Poverty in India," *Indian Economic Review*, Vol. 22, No. 1 (January-June 1987), pp. 19-50), and the second, which is 35 per cent higher, was thought at the time to be more representative and more common among many developing countries. These two poverty lines correspond to US$23 and US$31 in 1985 purchasing power parity adjusted US$. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 148.

15 The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

16 World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

17 World Bank, *Reducing Poverty in India* (Washington: World Bank, 1997), p. 8.

minimum wage, including benefits and bonuses.[18] The U.S. Embassy was not able to find any studies on the issue of the living wage in India. Separately, the U.S. Department of State reports, "The directive principles of the [Indian] Constitution declare that 'the State shall endeavor to secure . . . to all workers . . . a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.'"[19]

A study conducted in 1989 by Shanta A. Vaidya at the Maniben Kara Institute in Bombay presents basic information on the evolution and development of the minimum wage in India, including relevant legislation and official recommendations related to minimum wage fixing and information on the enforcement of minimum wage regulations. The study also includes some comparisons of the minimum wage payable in various industries in different Indian states with the poverty line established by India's Planning Commission. Specifically, the minimum wage for an industrial activity in a particular state on January 1, 1986 was compared to the Commission's poverty line (Rs608 per person per month in urban areas and Rs533 per person per month in rural areas, in 1984-85 prices). Sample results presented in the study show that for the industrial activities considered (printing presses, public transportation, hotels–residential/restaurants, shops and commercial establishments, and engineering) that there were only two states where industry monthly minimum wages were above or near the poverty line: Maharashtra (Rs671–printing presses, Rs606–engineering, and Rs573–public transport) and Kerala (Rs624–engineering).[20]

[18] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

[19] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

[20] Shanta A. Vaidya, *Minimum Wages in India: Concepts and Practices* (Bombay: Maniben Kara Institute/ Nagindas Chambers, 1989), Appendix IV.

INDONESIA[1]

MINIMUM WAGE

There is no national minimum wage in Indonesia. Government Regulation No. 8 of 1981 sets forth procedures for setting regional minimum wages. All workers in the formal sector are covered by minimum wage regulations. The Minister of Manpower determines minimum wage levels based upon recommendations made by the National Wage Research Board, and the 27 Provincial Wage Research Boards. Area wage councils working under the supervision of the National Wage Council establish minimum wages for regions and individual income requirements to meet basic-needs in each province—a monetary amount considered sufficient to enable a single worker to meet the basic needs of nutrition, clothing, and shelter. The government has increased the average minimum wage 70 percent (when adjusted for inflation) over the past 5 years; however, the high inflation rate in 1998 has depressed sharply the purchasing power of the minimum wage.[2] A table at the end of this country summary contains the regional minimum scale that will go into effect April 1, 1999 as well as those that were in effect 1994-98.

Companies may apply for postponements or exemptions from minimum wage levels, but must obtain the agreement of workers at the concerned company in order to obtain Department of Manpower approval for a postponement. Postponements are granted for a period of three to twelve months. The number of postponements granted by the government has declined from over 200 in 1997 to 43 in 1998.

Minimum wage regulations provide that up to 25 percent of the wage may be provided in the form of permanent in-kind benefits such as food, lodging, or transportation. The Labor Law establishes 7- or 8-hour workdays and a 40-hour workweek, with one 30-minute rest period for each 4 hours of work; the law also requires one day of rest weekly.[3]

PREVAILING OR AVERAGE WAGE

The minimum wage is generally the prevailing wage in the apparel and footwear industries, although for some footwear companies in the export sector, the prevailing wage is up to 25 percent higher than the current minimum wage.

---

[1] Unless noted otherwise, information presented here is from American Embassy—Jakarta, unclassified telegram No. 1015 (March 2, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 936.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 937.

No data were available for Indonesia from the International Labor Organization (ILO) on average wages or hours worked in the manufacturing sector or in the apparel or footwear industries.

NON-WAGE BENEFITS

There are no government-mandated non-wage benefits or tax credits especially for workers in the apparel and footwear industries.

A U.S. Social Security Administration survey[4] elaborates on three non-wage benefit programs which employers in Indonesia must participate in for their employees: (1) old age, disability, and death benefits are made through a provident fund, begun in 1951, in which the insured person pays 2 percent of their earnings and employers pay 3.7 percent of the payroll; (2) sickness and maternity benefits are part of a social insurance system that began in 1957 in which the employer pays 6 percent of the payroll for married employees and 3 percent for single employees; and (3) work injury benefits, now part of the social insurance system, began in 1939 and the employer pays the entire cost, ranging from 0.24 percent to 1.74 percent of the payroll.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Indonesian concept of a poverty line is based on a daily minimum requirement of 2,100 calories per capita, with additional non-food requirements for clothing, schooling, transportation and other living costs, according to the Central Bureau of Statistics' (CBS) *Statistical Yearbook of Indonesia*, *1997*. The table below shows the decline in the percentage of the population below the poverty line from the mid-1970s until 1996. The recent Asian economic crisis has led to an increase in the number of Indonesians below the poverty line, however.

Poverty Statistics for Indonesia, 1976-96

Year	Percentage of Population in Poverty	Number in Poverty (millions)
1976	40.1	54.2
1980	28.6	42.3
1984	21.6	35.0
1987	17.4	30.0
1990	15.1	27.2
1993	13.7	25.9
1996	11.3	22.5

Source: Based on data from CBS provided to U.S. Embassy

[4] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp.173-174.

In 1996, the monthly expenditure level per person to meet the poverty line was 38,246 rupiah (Rp) (or 16.32 U.S. dollars (US$) at the average 1996 exchange rate) for urban areas, and Rp27,413 (US$11.70) for rural areas. These levels are quite low in relation to the internationally-comparable poverty cut-off lines of US$1 per person per day in urban areas and US$0.80 in rural areas, in 1985 purchasing power parity adjusted US$. Using these internationally-comparable levels, an International Labor Organization (ILO) and United Nations Development Programme (UNDP) study[5] estimated that the number of Indonesians living in poverty in 1996 would have been 113.8 million (31.8 million in urban areas and 82.0 million in rural areas), or 57.4 percent of the national population (43 percent of the urban population and 66 percent of the rural population) compared to the official 1996 estimate of 22.5 million (7.2 million in urban areas and 15.3 million in rural areas), or 11.3 percent of the national population (9.7 percent of the urban population and 12.3 percent of the rural population). The same ILO/UNDP study also made estimates of the number of poor and the poverty rate for 1998 (98.8 million or 48.3 percent of population) and 1999 (137.8 million or 66.4 percent of the population) by adjusting the 1996 official poverty lines for inflation (16.6 percent in 1997, 80 percent in 1998, and 25 percent in 1999) and using interpollation methods.

In June 1998, CBS estimated that 79.4 million, or 39.1 percent of the population, was below the poverty level. The figure for 1998 is a matter of controversy. Many analysts say that this figure overestimated the number in poverty by taking into account price increases (raising the poverty line expenditure levels to Rp52,470 for urban areas and to Rp4l,588 for rural areas, but both are lower than the 1996 levels in U.S. dollar terms because of the depreciation of the rupiah) but not accounting for income increases. Other preliminary estimates have put the 1998 poverty rate at about 14 percent, but this remains an area for further investigation. The CBS chairman told the press in February 1999 that CBS will survey 65,000 households for the annual National Socioeconomic Survey (*Survey Sosial Ekonomi Nasional*, referred to as *SUSENAS*)[6] starting in February 1999, which may lead to a revision of the government's poverty estimate.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports several sets of measures of a national poverty line for Indonesia:

! For 1980, 44 percent of the rural Indonesian population was below the rural poverty line (annual per capita income of US$106) and 26 percent of the urban Indonesian population was the urban

[5] International Labour Organization, Jakarta Office, and United Nations Development Programme, *Employment Challenges of the Indonesian Economic Crisis* (Jakarta: International Labour Organization, Jakarta Office, June 1998), pp. 45; 100.

[6] SUSENAS is a household consumption survey rather than an expenditure survey.

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 34-36.

poverty line (annual per capita income of US$124), with a national poverty rate of 39 percent.[8]

- For 1980, 28.4 percent of the rural Indonesian population was below the official rural poverty line (Rp4,449 per capita per month) and 29.0 percent of the urban Indonesian population was below the official urban poverty line (Rp6,831 per capita per month), with a national poverty rate of 28.6 percent;

  for 1990, 14.3 percent of the rural Indonesian population was below the official rural poverty line (Rp13,295 per capita per month) and 16.8 percent of the urban Indonesian population was below the official urban poverty line (Rp20,614 per capita per month), with a national poverty rate of 15.1 percent.[9]

- For 1984, 38.7 percent of the Indonesian population was below the poverty line of US$ 30.42 per capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$;

  for 1990, 21.7 percent of the national population was below this poverty line.[10]

---

[8] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1988* (Washington: World Bank, 1988). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[9] The estimate is referenced as originating from the Central Bureau of Statistics (CBS)–Indonesia, *Kemiskinan dan Pemerataan Pendapatan di Indonesia, 1976-1990* [Poverty and Income Inequality in Indonesia, 1976-1990] (Jakarta, 1992). According to the World Bank, *Indonesia: Poverty Assessment and Strategy Report*, Report No. 8519-CR (Washington, 1990), official poverty lines for rural and urban areas are based on the minimum daily intake of 2,100 calories per person and an allowance for non-food basic necessities. In calculating the expenditure level necessary to reach the recommended daily dietary allowance, the CBS divides lower income households into several expenditure categories for both rural and urban households. Then, the implicit "calorie price" is calculated by dividing food expenditures by the actual calories consumed. The calorie price for that group in which total expenditures are just sufficient to purchase the recommended daily dietary allowance is then used to calculate the food component of the poverty line. The allowance for other basic necessities is the percentage of expenditure by households in the selected expenditure category on a set of non-food basic needs. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 149.

[10] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

The World Bank reports[11] that, in 1990, 15.1 percent of the Indonesian population was below the country-specific poverty line, with 16.8 percent of the urban population and 14.3 percent of the rural population living below the poverty line; corresponding figures for 1987 were 17.4, 20.1, and 16.4 percent, respectively. In terms of an international poverty line, the same source reports that, in 1996, 50.4 percent of the Indonesian population was below the standard of US$2 per person per day and 7.7 percent of the population was below the standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Indonesia meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that Indonesian studies have tended to focus on employment and income levels, as measured by expenditures on basic needs, rather than on wage levels. The U.S. Embassy provided the U.S. Department of Labor a study commissioned by the International Labor Organization which touches on these issues.[12]

The Indonesian government has developed an index called the "minimum living need" based on a basket of foodstuffs needed for a 3,000 calorie per person per day diet, as well as other expenditures such as rent, clothing, basic utensils/furnishings, and utility expenditures. The minimum living need is used as a benchmark against which the minimum wage is compared. In 1997, the average minimum wage was 95 percent of the average minimum living need. In 1998, the average minimum wage fell to 76 percent of the minimum living need due to high inflation (78 percent in 1998). According the government, the minimum wage schedule that goes into effect April 1, 1999 (see table at the end of this section) will be 70 percent of the current average minimum living need.

Several other studies have addressed the living wage issue in Indonesia. Ruth Rosenbaum of the U.S.-based Center for Reflection, Education and Action has estimated a living wage for Indonesia for 1996 using the Purchasing Power Index method.[13] Dartmouth College's Amos Tuck Business School has estimated

---

[11] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

[12] International Labour Organization, Jakarta Office, and United Nations Development Programme, *Employment Challenges of the Indonesian Economic Crisis* (Jakarta: International Labour Organization, Jakarta Office, June 1998); see also, International Labour Office, South-East Asia and Pacific Multidiciplinary Advisory Team (ILO/SEAPAT), *Indonesia: Social Adjustment through Sound Industrial Relations and Labour Protection* (Manila: International Labour Office, 1995; second revised edition, 1997).

[13] Some information regarding Rosenbaum's study is reported on the Sweatshop Watch web page: <http://www.sweatshopwatch.org>.

a living wage for 1997,[14] and the U.S.-based non-governmental organization Global Exchange has determined a living wage for 1998.[15]

[14] Derek Calzini, Jake Odden, Jean Tsai, Shawna Huffman, and Steve Tran, *Nike Inc.: Survey of Vietnamese and Indonesian Domestic Expenditure Levels*, Field Study in International Business, Dartmouth College, Amos Tuck School, November 1997.

[15] Global Exchange, "Wages and Living Expenses for Nike Workers in Indonesia" (September 1998). See Global Exchange web site: <http://www.globalexchange.org>.

Indonesian Regional Minimum Wage Rates, 1994-99
(effective date; in rupiah per month)

Region	04/01/99	08/01/98	04/01/97	04/01/96	04/01/95	04/01/94
Aceh	171,000	147,000	128,000	115,500	87,500	78,750
North Sumatra	210,000	174,000	151,000	138,000	105,000	93,750
West Sumatra	160,000	137,000	119,000	108,000	81,250	62,500
Riau Province (except Batam)	218,000	174,000	151,500	138,000	103,750	77,500
Batam	290,000	270,000	235,000	220,500	183,750	168,750
Jambi	150,000	137,500	119,500	108,000	82,500	75,000
South Sumatra- mainland	170,000	146,500	127,500	115,500	87,500	75,000
South Sumatra – islands	181,000	155,500	115,500	135,000	87,500	75,000
Bengkulu	150,000	146,500	127,500	115,500	87,500	75,000
Lampung	160,000	145,000	126,000	114,000	87,500	75,000
Jakarta	231,000	198,500	172,500	156,000	115,000	95,000
Central Java	153,000	130,000	113,000	102,000	75,000	67,500
Yogyakarta	130,000	122,500	106,500	96,000	71,250	55,000
South Kalimantan	166,000	144,000	125,000	114,000	87,500	75,000
West Kalimantan	175,000	145,500	126,500	114,000	87,500	75,000
Central Kalimantan	195,000	158,500	138,000	124,500	92,500	68,750
East Kalimantan	194,000	176,000	153,000	138,000	105,000	81,250
South Sulawesi	148,000	129,500	112,500	102,000	77,500	57,500
Southeast Sulawesi	160,000	139,000	121,000	109,500	83,750	70,000
Central Sulawesi	150,000	122,500	106,500	96,000	70,000	57,500
North Sulawesi	155,000	135,500	118,000	108,000	81,250	67,500
Bali (southern districts)	187,000	162,500	141,500	127,500	97,500	82,500
Bali (northern districts)	166,000	162,500	141,500	127,500	97,500	82,500
West Nusatenggara	145,000	124,000	108,000	97,500	73,750	58,750
East Nusatenggara	143,000	122,500	106,500	96,000	72,500	62,500
Maluku	180,000	156,500	136,000	123,000	95,000	77,500
Irian Jaya	225,000	195,500	170,000	154,500	118,750	112,500
East Timor	183,000	158,500	138,000	126,000	95,000	75,000
West Java – I	230,000	198,500	172,500	156,000	115,000	95,000
West Java – II	210,000	181,000	157,500	142,500	115,000	95,000
West Java – III	200,000	167,500	145,500	132,000	115,000	95,000
West Java - IV	195,000	160,000	139,000	129,000	115,000	95,000
East Java – I (Surabaya area)	182,000	152,500	132,500	120,000	92,500	75,000
E. Java – I (south central area)	182,000	152,500	132,500	117,000	92,500	75,000
E. Java – I (city of Madiun)	182,000	152,500	132,500	111,000	92,500	75,000
East Java – II (scattered)	174,000	146,500	127,500	111,000	92,500	75,000
E. Java – II (Jember district)	174,000	146,500	127,500	108,000	92,500	75,000
East Java – III (northeast area)	166,000	139,000	121,000	111,000	92,500	75,000
E. Java – III (southwest area)	166,000	139,000	121,000	108,000	92,500	75,000
E. Java – III (northwest area)	166,000	139,000	121,000	105,000	92,500	75,000
East Java - IV	160,000	134,000	116,500	105,000	92,500	75,000

ISRAEL[1]

MINIMUM WAGE

The national minimum wage in Israel is set under the authority of a 1986 law, implemented in 1987. It is legally defined as a percentage of the gross monthly average wage in the entire economy. Until April 1997, that percentage was 45 percent; since then, it has been 47.5 percent.

By law the maximum hours of work at regular pay are 47 hours a week, 8 hours per day, and 7 hours on the day before the weekly rest, which must be at least 36 consecutive hours and include the Sabbath.[2] By national collective agreements, the private sector established a maximum 45-hour workweek in 1988; and the public sector moved to a 5-day, 42½-hour workweek in 1989.

The table below presents the nominal and real minimum wage in Israel since 1995, expressed as the monthly average minimum wage in new Israeli shekels (NIS) and in U.S. dollars (US$) per month (per the local convention of expressing wages and salaries in monthly terms). A level of 180 hours per month was assumed for computation of the minimum wage per hour. To assess the development of the minimum wage in real terms, the nominal monthly minimum wage in shekels has been adjusted for inflation (i.e., rise in the average consumer price index for the year) of 11.3 percent in 1996, 9.0 percent in 1997, and 5.4 percent for 1998.

The Nominal and Real Minimum Wage, 1995-98

Unit of Measure	1995	1996	1997	1998*
NIS per month	1758	1996	2309	2563
US$ per month	584	626	669	675
US$ per hour	3.24	3.48	3.72	3.75
Real Minimum Wage Index (1995=100)	100.0	102.0	108.3	114.0

Note: * Data are based on the first nine months only.

[1] Unless noted otherwise, information presented here is from American Embassy—Tel Aviv, unclassified telegram No. 4022 (March 22,1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1698.

PREVAILING OR AVERAGE WAGE

The table below presents average gross monthly wages per worker, in NIS per month, for workers in the textile and apparel industry and the leather and footwear industry. These have been converted into US$ per month and per hour at the average exchange rate for the year. For the latter computation, actual hours worked and paid leave hours per month have been used for the textile and footwear industries for each year. The table also presents wages in the apparel and footwear industries in real terms. The decline in real wages since 1995 is mostly attributable to a decline in average hours worked (including paid leave) per employee from 181 per month in 1995 to 168 in 1998, rather than to a decline in the real hourly wage.

Nominal and Real Monthly Earnings in the Apparel and Shoe Industries, 1995-98

Industry		1995	1996	1997	1998*
Apparel (NIS/mo)	3161	3376	4006	4313	
Footwear (NIS/mo)	3283	3449	3962	3976	
Apparel (US$/mo)	1052	1059	1161	1135	
Footwear (US$/mo)	1090	1082	1149	1046	
Apparel (US$/hr) 5.84	5.87	6.38	6.27		
Footwear (US$/hr)	6.00	5.98	6.57	6.23	
Real Wage Index (1995=100)					
Apparel	100.0	95.8	104.3	106.5	
Footwear	100.0	94.4	99.5	94.7	

Note: * Data are based on the first nine months only.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Israel for all employees in the manufacturing sector and average hourly earnings for all employees in the apparel and footwear industries. The earnings data include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average weekly hours worked by all employees were 40.8 in manufacturing for the years 1990 through 1997; and 38.9 in apparel and 39.2 in footwear and leather goods for the years 1990 through 1994.[4] Current average earnings, which are reported by the ILO in the national currency,

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 747.

were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing and Average Hourly Earnings in Apparel and Footwear

Year	All Manufacturing (monthly)		Apparel (hourly)		Footwear (hourly)		Real Earnings Index (NIS; 1990=100)		
	(NIS)	(US$)	(NIS)	(US$)	(NIS)	(US$)	Manuf.	Apparel	Footwear
1990	2,669	1,295	7.3	3.54	8.9	4.32	100	100	100
1991	3,080	1,351	8.7	3.82	10.2	4.48	97	100	96
1992	3,514	1,429	10.0	4.07	12.0	4.88	99	103	101
1993	3,917	1,384	11.0	3.89	13.0	4.59	99	102	99
1994	4,427	1,470	13.0	4.32	15.0	4.98	100	107	102
1995	5,061	1,681	15.0	4.98	16.0*	5.31	104	112	98
1996	5,757	1,804	17.0	5.33	20.0	6.27	106	115	111
1997	6,676	1,935	20.0	5.80	23.0	6.67	113	124	117

Note: * indicates a break in series due to classification changes; beginning in 1995, includes other leather products.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 905.

NON-WAGE BENEFITS

Israel's national insurance institute (social security system) administers a wide variety of benefit programs for various categories of the population, such as old age benefits, disability payments, unemployment compensation, and maternity benefits. The principal benefit available to textile and footwear workers (as well as to most workers in other industries) generally would be the payment made to all families with children in Israel, regardless of income. Child allowances are based on family size, with larger families receiving more than proportionately larger benefits, as seen in the following table.

Monthly Child Allowances per Family

Number of Children	In NIS per month: 1995	1996	1997	1998*	In US$ per month: 1995	1996	1997	1998*
1	123	136	149	159	41	43	43	41
2	246	272	298	318	82	85	86	83
3	493	544	597	635	164	171	173	165
4	990	1094	1201	1278	329	343	348	332
5	1408	1556	1708	1818	468	488	495	473
6	1870	2065	2267	2413	621	648	657	627
7	2299	2541	2790	2968	764	797	809	772
8	2729	3017	3312	3523	906	946	960	916
9	3158	3493	3834	4078	1049	1096	1112	1061

Note: * Data are based on the first nine months only.

A U.S. Social Security Administration survey[5] elaborates on five different non-wage benefit programs which employers in Israel must participate in for their employees: (1) the old age, disability, and death benefits program, first legislated in 1953 and subsequently expanded upon, is a dual social insurance (for all residents) and government-funded social assistance system (means-tested income support). For the social insurance program, employees contribute 2.22 percent of earnings below one-half of average wage for old-age and survivors and 4.01 percent of earnings above one half of the average wage, employers contribute 2.29 percent of payroll, and the government contributes 1.18 percent on earnings above one-half of average wage (with reduced contributions on earnings below one-half of average wage; (2) sickness and maternity benefits, begun in 1953, in which the insured person pays 4.8 percent of their earnings for medical care and 0.6 percent for maternity (3.1 percent and 0.33 percent of earnings below one-half of national average wage), the employer contributes 0.15 percent for maternity, and the government contributes 0.10 percent for maternity (with reduced contribution for earnings below one-half average wage); (3) work injury benefits, begun in 1953, in which the employed person pays nothing, employers contribute 0.53 percent of payroll, and the government contributes 0.17 percent of payroll and earnings (with reduced contribution rates for earnings below one-half of average wage); (4) unemployment insurance, begun in 1970, in which employees contribute 0.15 percent of earnings (0.08 percent, if their earnings are below one-half of the average wage), employers contribute 0.04 percent of payroll, and the government contributes 0.11 percent of payroll (or 0.07 percent of earnings below one-half of average wage); and (5) the family allowances program is a universal system, begun in 1959, in which the employee pays nothing, the employer contributes 1.88 percent of payroll, and the government contributes 0.60 percent of payroll (with reduced rates below one-half of average wage).

ASSESSING BASIC NEEDS: THE POVERTY LINE

The measure of poverty in Israel is a relative measure, not an absolute one (i.e., poverty is not defined in terms of the cost of purchasing some minimum basket of goods of services but instead in relation to the median income, adjusted for family size. Specifically, a family is considered as poor if its net monthly income (income from wages and investments, plus transfer payments or other grants, less direct taxes paid) is 50 percent or less of the median net income, for a family of its size.[6] The poverty line for 1995-97, based

[5] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 184-187.

[6] Thus, the incidence of poverty in Israel is in fact a reflection of the distribution of income rather than a measure of the number of persons below some absolute standard of living. When the median income rises in real (inflation-adjusted) terms, the poverty line rises in tandem, and the number of "poor" may also increase if incomes at the lower end of the income scale rise at a slower rate than the median. For example, while the poverty line rose by 10.8 percent from 1995 to 1996, the CPI rose by an annual average 11.2 percent, indicating a slight real decline in the defined level of poverty. In 1997, however, the poverty line rose by 12.1 percent, whereas consumer prices rose by only nine

on this relative measure, is presented in the following table.

The Poverty Line, 1995-97

Family Size	In NIS per month: 1995	1996	1997	In US$ per month: 1995	1996	1997
1	1058	1173	1315	351	368	381
2	1693	1876	2104	562	588	610
3	2243	2486	2788	745	780	808
4	2709	3002	3366	900	942	976
5	3174	3518	3945	1054	1104	1144
6	3598	3987	4471	1195	1251	1296
7	4021	4456	4997	1335	1398	1449
8	4402	4878	5470	1462	1530	1586
9	4740	5253	5891	1574	1648	1708

Note: The poverty line is defined as 50 percent of median net income.

Taxes. Because the poverty line is defined in terms of after-tax income, some adjustment to gross wages must be made for taxes. Israel is a relatively high-tax country, with a steeply progressive income tax and a complex array of adjustments to individual income taxes depending on residence and family circumstances. All citizens are eligible for "tax credit points" (i.e., credits against income tax due) which were worth NIS153 each per month (about US$40) in 1998. These are awarded on the basis of an individual's family circumstances. For example, an unmarried man or a married man with a working wife is eligible for 2.25 credit points; a single woman or a married woman without children would get 2.75 credit points; a married man with a non-working wife receives 3.25 points; a married woman with children gets 3.75 points; and so on. In addition, residents of designated development priority regions (in which many textile and shoe plants are located) are eligible for special tax credits of 3-7 percent of monthly income. The tax rates are presented in the table below.

Tax Rates, 1998

Income Tax

Monthly Income (NIS)				Marginal Tax Rate (percent)
From	0	to	1770	10
	1770		3540	20
	3540		9330	30
	9330		16910	45
	16910		–	50 (top marginal rate)

National Insurance (Social Security)

percent, implying a three percent real increase in the level of poverty.

	Monthly Income (NIS)			Employee Contributions Only (in percent)
From	0	to	2803	2.66 (Reduced rate on salaries up to ½ average wage)
	2803	to	22420	4.60 (Full rate on amounts from ½ to four times average wage)
	22420	to	–	0 (No national insurance due on amounts above four times average wage)

Incidence of Poverty. Because poverty is defined in relative rather than absolute terms, there has been no appreciable decline in the poverty rate in Israel over the past two decades despite a substantial increase in real incomes and consumption, as seen in the following table.

Percentage of Families Below the Poverty Line

Year	Before Transfer Payments and Taxes	After Transfer Payments and Taxes
1980	28.1	15.7
1985	31.3	11.4
1990	34.3	14.3
1991	35.3	14.9
1992	34.7	17.2
1993	34.6	16.2
1994	34.2	18.0
1995	33.7	16.8
1996	34.3	16.0
1997	34.3	16.2

Minimum and Apparel Wages and Poverty: An Example. To bring the foregoing information on wages, taxes, government benefits, and poverty together, the table below offers the following example of a full-time male worker, employed in a non-development priority region, with a non-working wife and two children below the age of 18 earning (a) the minimum wage, and (b) the average monthly wage in the apparel industry, both for the year 1998. This worker would be eligible for 3.25 tax credit points, equal to a reduction of income tax of NIS497 per month, which would eliminate the minimum wage worker's income tax liability. While this is only a simplified, illustrative example, actual family circumstances could vary considerably. Amounts are given in shekels per month, except for the last two rows, which have been converted into U.S. dollars at the average exchange rates of NIS3.45 per dollar for 1997 and 3.80 for 1998. According to this example, a worker earning the average salary in the apparel industry would be modestly above the poverty line, while a minimum wage worker would be substantially below it.

Minimum and Apparel Wages and Poverty, A Comparison, 1998

Item	Minimum Wage		Apparel Wage	
Gross Wage Income	2563		4313	
Less: Basic Income Tax		336		763
National Insurance		68		149

Plus: Tax Credit Points	336		497	
Child Allowance	318		318	
Net Monthly Income	2813		4216	
Poverty Line (1997)	3366		3366	
Net Monthly Income (US$)		740		1109
Poverty Line (1997) (US$)		976		976

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Israel meet workers' basic needs. The U.S. Embassy did not identify any information on the living wage in Israel.

ITALY[1]

MINIMUM WAGE

Minimum wages are not set by law in Italy, but rather by national sectoral collective-bargaining contracts and, *de facto,* apply to all workers in similar occupations.[2] Minimum rates are renegotiated every three to four years, whenever sectoral agreements are renewed. The vast majority of workers are covered by collective agreements. In the absence of an agreement between labor and management, the courts may step in to determine fair wages on the basis of practice in related activities or related collective bargaining agreements.[3] Collectively agreed minima apply pro-rata to part-time workers. Trainees and apprentices receive lower rates, which are set out in agreements.

Based upon data provided by the textile, apparel, and footwear workers' union FILTEA-CGIL, minimum monthly contractual wages set in the national textile and apparel industry contract signed 27 July 1995 are as follows:[4]

Grades	01 July 95 (thousands of Italian lire)	01 July 96	01 Jan 97	01 July 95 (U.S. dollars)	01 July 96	01 Jan 97
8 (highest)	1,269	2,378	2,438	778.53	1,541.15	1,433.27
1 (lowest)	559	1,592	1,615	342.94	1,031.76	949.44

and the minimum monthly contractual wages set in the national footwear industry contract signed 12 July 1995 are as follows:

Grades	01 July 95 (thousands of Italian lire)	01 July 96	01 Jan 97	01 July 95 (U.S. dollars)	01 July 96	01 Jan 97
8 (highest)	2,330	2,398	2,458	1,429.45	1,554.12	1,445.03

[1] Unless noted otherwise, information presented here is from American Embassy—Rome, unclassified telegram No. 1694 (March 15, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1321.

[3] Case law in Italy has established that minimum wage rates determined by a sectoral collective agreement must be applied by employers which are not members of the signatory employers' organization. See "International Minimum Pay: Current Minimum Pay Rates," *European Industrial Relations Review*, No. 266 (March 1996), p. 17.

[4] Relevant sections of the economic newspaper *Il Sole 24 Ore* with wage information have been provided to the U.S. Department of Labor. Figures given in U.S. dollars (US$) have been converted from Italian lire (Lit) at the exchange rate of Lit1,630 per US$1 for 1995; 1,543 for 1996; 1,701 for 1997; and l,736 for 1998.

1 (lowest)	1,566	1,592	1,615	960.74	1,031.76	949.44

A 1997 law reduced the legal workweek to 40 hours from 48.[5] Most collective bargaining agreements provide for a 36- to 38-hour workweek. The average contractual workweek is 39 hours but is actually less in many industries. Overtime work may not exceed 2 hours per day or an average of 12 hours per week.

PREVAILING OR AVERAGE WAGE

The National Statistical Office (ISTAT) prepares indices of average annual contractual wages by sector. Recent data for the apparel and footwear industries appear below. The wage data include: basic pay, cost of living increases, thirteenth month pay, and regularly given annual bonuses. Wage increases resulting from company level bargaining (that can total an additional 30 percent of basic pay) are not included. Social security contributions paid directly by the employer to the Social Security Institute (INPS) are also not included. In 1995, employer-paid social security contributions amounted to 44.9 percent of the average contractual wage in the apparel industry and 46.0 percent in the footwear industry.

Average Annual Contractual Wages for Workers in Apparel and Footwear Industries, 1995-98

Sector and Year	Avg. Annual Salary Before Taxes (thousands of Italian lire)	Manual Workers	Non-Manual Workers	Avg. Annual Salary Before Taxes (U.S. dollars)	Manual Workers	Non-Manual Workers
Apparel						
1995	24,344	23,729	28,997	14,934.97	14,557.67	17,789.57
1996	21,140	24,454	27,964	16,292.94	15,848.35	18,123.14
1997	26,001	26,252	29,042	15,285.71	15,433.27	17,073.49
1998	26,662	25,905	29,843	15,358.29	14,922.24	17,190.67
Footwear						
1995	24,366	23,905	28,004	14,948.47	14,665.64	17,180.37
1996	25,163	24,661	29,197	16,307.84	15,982.50	18,922.23
1997	26,059	25,516	30,437	15,319.81	15,000.59	17,893.59
1998	26,766	26,174	31,359	15,418.20	15,077.19	18,063.94

Source: ISTAT

The table below presents data from the U.S. Bureau of Labor Statistics on hourly compensation costs in Italy for production workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee as well

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1321.

as the cost of social insurance programs.[6] No data were available on average hours worked per week by production workers in all manufacturing or in the apparel or footwear industries. Current hourly compensation costs, which are reported by the U.S. Bureau of Labor Statistics in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real hourly compensation (i.e., compensation adjusted for inflation), a real compensation index was computed by deflating current hourly compensation in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Hourly Compensation Costs in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Compensation Index (Lit; 1990=100)		
	(Lit)	(US$)	(Lit)	(US$)	(Lit)	(US$)	Manuf.	Apparel	Footwear
1990	20,900	17.44	15,695	13.10	16,663	13.91	100	100	100
1991	22,734	18.33	16,783	13.53	17,948	14.47	102	101	101
1992	23,841	19.35	17,700	14.36	18,933	15.36	102	101	102
1993	24,858	15.80	18,332	11.65	19,738	12.54	102	100	102
1994	25,591	15.87	19,040	11.81	20,166	12.51	101	100	100
1995	26,398	16.21	19,432	11.93	20,843	12.80	99	97	98
1996	27,352	17.73	20,169	13.07	21,531	13.95	99	97	97
1997	28,528	16.75	na	na	na	na	101	na	na

Note: na = not available.
Source: U.S. Department of Labor, Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing*, May, 1999.

NON-WAGE BENEFITS

Minimum contractual wages (i.e., basic take home pay) noted above are only a portion of total wages, which include:

- Wage increases resulting from company-level bargaining, which takes place in years in between national labor contracts, i.e., every two years. Company-level bargaining generally has yielded increases of an estimated 30 percent above the minimum contractual wage; however, only one-third of all companies in the textile and footwear sectors engage in company level collective bargaining that results in wage increases;

- Separation pay, amounting to one month's pay for each year of service (withheld by the employer until the worker quits);

[6] U.S. Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers In Manufacturing, 1975-1997* (Washington: U.S. Department of Labor, May 1999).

- Social security contributions, paid directly by the employer to the Social Security Institute (INPS) to cover pension, unemployment, sick leave, and other state-mandated benefits.

A U.S. Social Security Administration survey[7] elaborates on five different non-wage benefit programs which employers in Italy participate on behalf of their employees: (1) old age, disability and death benefits, begun in 1919, in which the insured person contributes 8.89 percent of earnings up to 63 million lire and 9.9 percent of earnings of 63-250 million lire, the employer contributes 23.8 percent of payroll, and the government pays the full cost of means-tested allowances and any overall deficit; (2) sickness and maternity benefits, initiated in 1912 and now a dual social insurance and universal medical care program, in which the insured person contributes 1 percent of earnings up to 40 million lire plus a solidarity contribution of 0.8 percent on earnings between 40 million and 150 million lire, employers contribute 9.6 percent for sickness and 1.87 percent of payroll for tuberculosis benefits, and the government pays various subsidies plus a portion of contributions due from employers; (3) work injury benefits, begun in 1898, in which employers pay 0.5-16 percent of payroll according to risk (the average for industrial workers is about 3 percent); (4) unemployment insurance, began in 1919, is a compulsory insurance program for workers in private industry in which employers pay 1.61-1.91 percent of payroll and the government pays administrative costs plus various subsidies; and (5) family allowances, begun in 1937, is an employment-related system in which employers pay 2-5 percent of payroll and the government provides various subsidies to this program.

ASSESSING BASIC NEEDS: THE POVERTY LINE

A "relative poverty" report has been presented every year since 1994 by the Inquiry Commission on Poverty, in cooperation with ISTAT.[8] The poverty line is defined in terms of the national average per capita consumption expenditures. A two-member household whose consumption expenditures are less than or equal to the average per capita expenditure on consumption is considered to be poor. In 1997, 11.2 percent of all households in Italy lived in "relative poverty"—which, in terms of individuals, meant some 6,908,000 persons or 12.2 percent of the Italian population. The poverty line for 1997 was set at Lit1,233,829 per month for a two-member household. This represented a 3.7 percent increase over the corresponding 1996 level of Lit1,190,273. Equivalence scales are available adjust for different-sized households.

A new poverty standard will be initiated by the Commission in its *1998 Report* to be issued later this year. "Absolute poverty," based on variations in a basket of minimum goods and services, aims at relating poverty to developments in the living standard.

[7] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 188-191.

[8] The results presented here are based upon the latest available report: Council of Ministers, Inquiry Commission on Poverty, *1997 Report* (Rome: Commission on Poverty and Social Exclusion, no date).

The Commission's *1997 Report* offers a preview of the new poverty measure that will be adopted. The new absolute poverty measure will be based upon a minimum consumption basket comprised of three components (food and drink, housing, and durable goods) plus an amount for residual expenditures that will assure a modest but sufficient standard of living in order to avoid any kind of social exclusion. The food and drink basket is defined in terms of recommended daily allowances and nutritional needs and requirements, adjusted for age and sex of individuals but not for scale economies for larger families. The housing expenditure is based on rents for adequate facilities and includes minimum-level expenditures for utilities. For the durable goods component, three goods were considered as basic needs (color televison, refrigerator, and washing machine) and monthly depreciation was taken into account. The residual component, which is to account for clothing and footwear, personal care, cultural and recreational activities, transportation, and other household expenditures, is defined as a percentage of expenditure on food and drink, ranging from 33 percent for two-member households to 43 percent for five-member households.

The Commission applied this new method and obtained estimates for absolute poverty thresholds for 1997. Using the monthly threshold obtained for 1997, the Commission then computed the money value of the baskets for 1995 and 1996 by deflating the corresponding values using the consumer price index. The following tables presents the poverty lines under the new definition (absolute line) and compares them to the old definition (relative line):

Absolute and Relative Poverty Lines by Household Size, 1995-1997
(current lire per month)

Family Size	Absolute Poverty Line			Relative Poverty Line		
	1995	1996	1997	1995	1996	1997
1 member	625,254	650,264	663,270	684,870	712,974	739,064
2 members	937,286	974,778	994,273	1,143,355	1,190,273	1,233,829
3 members	1,331,305	1,384,557	1,412,249	1,526,379	1,589,014	1,647,162
4 members	1,685,885	1,753,321	1,788,388	1,865,955	1,942,526	2,013,609
5 members	2,124,848	2,209,842	2,254,040	2,178,091	2,267,470	2,350,444
6 members	2,449,018	2,546,979	2,597,918	2,458,213	2,559,087	2,652,732
7 members or more	2,763,528	2,874,069	2,931,550	2,745,195	2,857,845	2,962,423

Source: ISTAT, Household Budget Survey.

Incidence of Absolute and Relative Poverty by Household Size, 1995-1997

(percentage of households that are poor)

Family Size	Incidence of Absolute Poverty					Incidence of Relative Poverty		
	1995	1996	1997		1995	1996	1997	
1 member		7.3	6.6	8.1		9.6	9.0	11.6
2 members	5.7	5.0	4.3		10.6	9.8	9.2	
3 members	4.5	4.2	4.8		7.1	7.4	9.0	
4 members	5.8	6.7	5.6		8.5	9.6	8.4	
5 members or more	22.4	20.1	22.1		23.1	21.1	24.1	
All households	7.7	7.2	7.5		10.6	10.3	11.2	

Source: ISTAT, Household Budget Survey.

Incidence of Absolute Poverty by Type of Household, 1997
(percentage of household that are poor)

Household Type	Incidence of Absolute Poverty	
Single member, less than 65 years of age	5.2	
Couple, head of household less than 65	1.4	
Single member and Couple, head of household 65 or older		9.4
Couple with one child	4.5	
Couple with 2 children	5.5	
Couple with 3 or more children		23.9
Single parent	6.3	
Households with at least one child underage	10.1	

Source: ISTAT, Household Budget Survey.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[9] reports for 1988 that 24.2 percent of the Italian population was below the poverty line of 50 percent of national mean equivalent expenditure.[10] A more recent study, using a slightly different definition, reported for 1986 that 10.6 percent and for 1991 that 6.5 percent of the Italian population was below the

[9] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 75.

[10] The estimate is referenced as originating from Eurostat, *Poverty Statistics in the Late 1980s: Research Based on Micro-Data* (Luxembourg: Office for Official Publications of the European Communities, 1994), p. 414. The study was conducted for Eurostat by Aldi J.M. Hagenaars, Klass de Vos, and M. Asghar Zaidi and was based on the Survey of Family Consumption (ISTAT). The study uses household expenditure per adult equivalent (OECD equivalence scales) with the poverty line set at 50 percent of the mean of this variable. Equivalence scales were used to compensate for differences due to family size. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

poverty line of 50 percent of median disposable income.[11]

MEETING WORKERS' NEEDS WAGE

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Italy meet workers' basic needs. The U.S. Embassy did not identify any information on living wage studies in Italy.

[11] Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from LIS*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997), Appendix Table A-4.

JAMAICA[1]

MINIMUM WAGE

Jamaica has two minimum wages, one for industrial security guards and one for unskilled and semi-skilled workers. A tripartite Minimum Wage Advisory Commission—consisting of representatives from employers, unions, and the government—advises the Minister of Labor on all matters relating to minimum wages. In determining the minimum wage, the government considers the cost of a selected market basket the ability of employers to pay.

The following is a list of the current minimum wages for industrial security guards (basic pay for industrial security guard, effective January 1997): for work within a normal 8 hour day or 40 hour week—40.60 Jamaican dollars (J$) per hour; for work in excess of an 8 hour day or 40 hour week—J$60.75 per hour; and for work on public holidays or rest days—J$81.00 per hour.

The following is a list of the current minimum wages for general workers (unskilled and semi-skilled, effective July 1996): for work within a normal 8 hour day or 40 hours week—J$20 per hour; for work done in excess of an 8 hour day or 40 hour week—J$30 per hour; and for work on public holidays or rest days—J$40 per hour.

A normal workweek for household workers is up to 44 hours. However, it should be noted that the wage rates offered/demanded exceed the minimum wage. The minimum wage generally serves as a base guideline for employers. According to the Ministry of Labor, a new minimum wage proposal is presently under consideration.

PREVAILING OR AVERAGE WAGE

In the apparel sector, workers are paid a base rate, based upon a given quantitative level and time frame, which varies from company to company and items produced. The base rate is generally above the minimum wage. In addition to the base rate, workers are also paid a piece rate for items produced above the quantity stipulated under the base rate.

The following is a sample of average net annual earnings for various occupational groups in the Jamaican apparel sector for 1998:

[1] Unless noted otherwise, information presented here is from American Embassy—Kingston, unclassified telegram No. 579 (February 25, 1999).

Occupational Group or Position	**Net Annual Earnings (U.S. dollars—US$)**
Plant Manager	15,000 - 28,200
Production Manager	10,000 - 22,500
Cutting Manager	10,000 - 19,800
Engineer	10,000 - 22,500
Skilled Cutting Labor	4,100 - 5,000
Quality Inspector	3,700 - 4,100
Machine Operator	1,800 - 3,000
General Labor	1,800 - 2,250

The table below presents available data from the International Labor Organization (ILO) on average weekly earnings (direct wages per worker) in Jamaica for all employees in the manufacturing sector; data were not available for the apparel and footwear industries. Earnings data include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[2] Average hours worked per week by all employees in manufacturing were 38.6 for the years 1990 through 1992.[3] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Weekly Earnings in All Manufacturing

Year	All Manufacturing		Real Earnings Index (J$; 1990=100)
	(J$)	(US$)	All Manufacturing
1990	451	63	100
1991	701	58	103
1992	895	39	74
1993	na	na	na
1994	na	na	na
1995	na	na	na
1996	na	na	na
1997	na	na	na

[2] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 737.

____

Note: na = not available

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 890.

NON-WAGE BENEFITS

Government mandated non-wage benefits include the following: sick and annual leave; statutory deductions which include the employers contribution to national housing trust—3 percent of gross salary; national insurance scheme—2.5 percent; education tax—3 percent; and a pension which is 5 - 7 percent of every worker's income. Most employers also provide other benefits to certain categories of workers such as transportation allowances, rent allowances (a portion of which is taxable), uniform and laundry allowances, and recreation allowances. While these benefits vary from company to company in the apparel industry, the most common benefits offered are transportation and meal allowances.

A U.S. Social Security Administration survey[4] elaborates on three non-wage benefit programs in which employers in Jamaica participate on behalf of their employees: (1) old age, disability, and death benefits, begun in 1958, are part of a social insurance program in which the insured person pays 2.5 percent of their earnings (up to J$250,000 per year), the employer pays 2.5 percent of wages (up to J$250,000 per year), and the government covers administrative expenses; (2) sickness and maternity benefits, begun in 1979, are part of the social insurance program with the same contributions as for pensions above; (3) work injury benefits, begun in 1937, are also part of the social insurance system and the insured person pays nothing, the employer pays as in pension coverage above, and the government, as an employer, only contributes for its own employees.

ASSESSING BASIC NEEDS: THE POVERTY LINE

According to the Planning Institute of Jamaica, an individual or household is considered poor if unable to attain a level of real consumption expenditure at or above an appropriate poverty line on the basis of personal income and assets. In 1997, the poverty line was set at consumption levels below J$126,922 (US$3,567) per annum for a family of five. According to reports, 20 percent of the population is below the poverty level in Jamaica.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[5] reports several sets of measures of a national poverty line for Jamaica:

---

[4] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 192-193.

[5] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 63.

- for 1980, 51 percent of the rural Jamaican population was below the poverty line.[6]

- for 1985, 5.9 percent of the Jamaican population was below the poverty line of US$31 per capita per month, based on 1985 purchasing power parity adjusted US$ (J$74).[7]

- for 1989, 18.3 percent of the rural and 4.4 percent of the urban Jamaican population were below the poverty line of US$60 per capita per month, based on 1985 purchasing power parity adjusted US$; the national poverty rate was 12.1 percent.[8]

The World Bank reports[9] that, in 1992, 34.2 percent of the Jamaican population was below the country-specific poverty line; the same source reports that, in 1993, 24.9 percent of the Jamaican population was below the international poverty line of US$2 per person per day and that 4.3 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Jamaica meet workers' basic needs. The U.S. Embassy noted that the following studies have been done on wages in Jamaica:

> Jamaica Employers Federation, "Salary and Fringe Benefits for Supervisory, Clerical and Production (1997)," a biannual report published by the Federation;

---

[6] The estimate is referenced as originating from R. Urzua, *Caracterización, Dimensiones y Evolución de la Pobreza Rural* [Characterization, Dimensions and Evolution of Rural Poverty], FAO Studies on Rural Poverty (Rome: FAO, 1984). No further information is provided in the ILO compendium regarding the estimate.

[7] The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990*, Mimeographed (Washington: World Bank, 1990), p. 44. The estimate is uses data from the household *Survey of Living Conditions 1988* conducted by the Statistical Institute of Jamaica and the World Bank, *Preliminary Report on Living Conditions Survey*, Jamaica (Kingston: World Bank, no date), Table 3.1. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 162.

[8] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Table 13.1 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[9] World Bank, *World Development Report 1998/99* (New York: Oxford University Press, 1999), p. 196.

Planning Institute of Jamaica, “Standard of living conditions,” published annually by the Jamaican government; and

Statistical Institute of Jamaica, “Employment, Earnings and Hours Worked in Large Establishments,1996-1997,” published by the Jamaican government.

MACAU[1]

MINIMUM WAGE

Macau has no minimum wage. According to a senior economic official, the Legislative Council considered a minimum wage bill in 1998, but postponed final action pending an improvement in the economic situation. Labor legislation provides for a 48-hour workweek, an 8-hour workday, and overtime; the law also requires a 24-hour rest period for every 7 days of work.[2]

PREVAILING OR AVERAGE WAGE

The average monthly wage for workers in the garment industry in 1995 was 4,026 patacas (P), about 520 U.S. dollars (US$); P3,900 (US$504) in 1996; P4,177 (US$540) in 1997; and P4,096 (US$529) in 1998 (through the third quarter). For the footwear industry, data are only available for 1997 (P3,516 or about US$454 per month) and 1998 (P3,252 or about US$420 per month).

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Macau for all employees in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week by production workers were 48.3 in all manufacturing for the years 1990 through 1997, and 52.5 in the apparel industry and 49.7 in the footwear industry for the years 1990 through 1992.[4] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in annual editions of the Central Intelligence Agency's *The World Factbook*. To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in annual editions of the Central Intelligence Agency's *The World Factbook*, indexed to 1990 = 100.

---

[1] Unless noted otherwise, information presented here is from American Consul—Hong Kong, unclassified telegram No. 1192 (February 26, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U. S. Government Printing Office, April 1999), p. 985.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 753.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (P; 1990=100)		
	(P)	(US$)	(P)	(US$)	(P)	(US$)	Manuf.	Apparel	Footwear
1990	2,058	256	na	na	na	na	100	na	na
1991	2,232	278	na	na	na	na	100	na	na
1992	2,509	315	na	na	na	na	105	na	na
1993	2,926	364	na	na	na	na	113	na	na
1994	3,111	387	na	na	na	na	112	na	na
1995	3,210	400	na	na	na	na	106	na	na
1996	3,124	392	na	na	na	na	98	na	na
1997	3,323	416	4,465	559	3,601	451	101	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 910.

NON-WAGE BENEFITS

Workers in the apparel and footwear industry—as with other sectors of the Macau economy—receive only severance pay, if laid off, and paid annual holidays. In the absence of any statutory minimum wage or publicly administered social security programs, some large companies provide private welfare and security packages.[5]

ASSESSING BASIC NEEDS: THE POVERTY LINE

Macau has not determined an official poverty line, and does not publish data on median income, household income, or the percentage of households/workers that fall under various income categories.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Macau meet workers' basic needs. Some information from U.S. Department of State or American Consul reports indicates more generally that average wages generally provide a decent standard of living for a worker and family in Macau.[6] The American Consul reported that Macau officials were unaware of any studies on the issue of the living wage.

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U. S. Government Printing Office, April 1999), p. 985.

[6] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U. S. Government Printing Office, April 1999), p. 985.

MALAYSIA[1]

MINIMUM WAGE

There is no national minimum wage in Malaysia. A government-prescribed minimum wage was abandoned more than twenty years ago and is not viewed as necessary due to Malaysia's chronically tight labor market and resulting upward pressure on wages.

The Wage Councils Act provides for a minimum wage in those sectors and regions of the country where a need exists.[2] Under the law, workers who believe they need the protection of a minimum wage may request that a wage council be established. However, few workers are now covered by minimum wages set by wage councils and the government prefers to let market forces determine wage rates.

Under the employment Act of 1955, working hours may not exceed 8 hours per day or 48 hours per workweek of 6 days and provisions are made for overtime; each workweek must include one 24-hour rest period.[3]

PREVAILING OR AVERAGE WAGE

The U.S. Embassy was not able to provide any information on prevailing wages in the footwear and apparel industries.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Malaysia for all employees in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[4] No data were available from the ILO for average hours worked per week by all employees in manufacturing or in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International

[1] Unless noted otherwise, information presented here is from American Embassy—Kuala Lumpur, unclassified telegram No. 788 (April 6, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1004.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1004.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (RM; 1990=100)		
	(RM)	(US$)	(RM)	(US$)	(RM)	(US$)	Manuf.	Apparel	Footwear
1990	660	244	493	182	458	169	100	100	100
1991	719	261	525	191	573	208	104	102	120
1992	794	312	600	236	529	208	110	111	106
1993	848	329	636	247	765	297	114	114	148
1994	928	354	706	269	789	301	120	122	147
1995	1,002	400	742	296	807	322	123	122	143
1996	na	na	na	na	na	na	na	na	na
1997	na	na	na	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 911.

NON-WAGE BENEFITS

There are no government-mandated non-wage benefits or tax credits for workers in the apparel and footwear industries other than those in the Employment Act and the Workmen's Compensation Act, which apply to all industries.

A U.S. Social Security Administration survey[5] elaborates on two non-wage benefits programs in which employers in Malaysia must participate on behalf of their employees: (1) old age, disability, and death benefits, begun in 1951, are provided through a provident fund and a social insurance dimension was added in 1969. The insured person contributes 11 percent of their earnings to the provident fund and 0.5 percent to the disability fund according to 24 wage classes, employers contribute 12 percent of the payroll to the provident fund and 0.5 percent of payroll to the disability fund according to the 24 wage classes, and the government pays nothing. For sickness and maternity benefits, medical care is available in government dispensaries and hospitals, and a nominal fee is charged to persons able to pay; (2) work injury benefits, begun in 1929, are financed entirely by employers who pay 1.25 percent of the payroll according to 24 wage classes.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The most recent data available regarding the poverty line is based on the 1995 Household Income Survey

[5] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 231-232.

(HIS). The 1995 HIS identifies the following poverty line incomes: 425 ringgit Malaysia (RM) per month for a household size of 4.6 in peninsular Malaysia and RM601 per month for a household size of 4.8 in Sarawak, East Malaysia. The 1995 HIS estimates the incidence of poverty among Malaysian citizens at 370,200 households, or about 8.9 percent of the total number of households.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[6] reports several sets of measures of a national poverty line for Malaysia:

- For 1980, 37.4 percent of the rural and 12.6 percent of the urban Malaysian households were below the official poverty line (RM270 per household per month in 1978 prices), with a national poverty rate of 29.0 percent;

  for 1987, 22.4 percent of the rural and 8.3 percent of the urban households were below the official poverty line (RM350 per household per month in 1987 prices), with a national poverty rate of 17.3 percent; and

  for 1989, 19.3 percent of the rural and 7.3 percent of the urban households were below the official poverty line, with a national poverty rate of 15.0 percent.[7]

- for 1985, 6.7 percent of the Malaysian population was below the poverty line of US$31 per capita per month in 1985 purchasing power parity adjusted US$ (or RM39).[8]

---

6 Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 37-38.

7 The estimates are referenced as originating from the Government of Malaysia, *Mid-term Review of the Fourth Malaysia Plan, 1981-1985* (Kuala Lumpur, 1984), *Mid-term Review of the Fifth Malaysia Plan , 1986-1990* (Kuala Lumpur, 1989), and *Sixth Malaysia Plan, 1991-1995* (Kuala Lumpur, 1991). The government studies appear to have estimated the incidence of poverty by calculating a poverty line income and then comparing it to the actual income reported in income surveys to determine the number of households with incomes below the poverty line income. The World Bank has raised some questions about the methods which relate to coverage, consistency over time, and the use of indirect income estimates. The poverty line income is adjusted annually for inflation, but not for cost of living differences in rural and urban areas. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 151.

8 The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), pp. 45-46. Income data from the *Household Income and Expenditure Survey 1984* were converted into expenditures by assuming a national savings rate of 33 per cent (to ensure comparability between poverty estimates in Malaysia and other countries). An absolute poverty line, defined as an expenditure level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the Indian poverty line for rural areas which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US$31 after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth*,

- for 1989, 6.4 percent of the Malaysian population was below the poverty line of US$30.42 per capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$.[9]

The World Bank reports[10] that, in 1989, 15.5 percent of the Malaysian population was below the country-specific poverty line. The same source reports that, in terms of international poverty measures, in 1995, 26.6 percent of the Malaysian population was below the international poverty line of US$2 per person per day and 5.6 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Malaysia meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that minimum wages set by wage councils generally do not provide for a decent standard of living for a worker and family; however, prevailing wages, even in the sectors covered by the wage councils, are higher than the minimum wages set by the wage councils and do provide a decent living.[11] The U.S. Embassy did not identify any studies on the living wage in Malaysia.

Series 34, No. 1 (March 1988), pp. 1-25. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 151.

[9] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[10] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

[11] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1004.

MAURITIUS[1]

MINIMUM WAGE

The National Remuneration Board (NRB) is the agency responsible for the setting of minimum wages and other conditions of employment with respect to various categories of workers in the private sector in Mauritius, including the apparel and footwear industry. The NRB is a joint consultative/negotiating body comprised of workers and employers representatives. Although it technically operates under the Ministry of Labor and Industrial Relations, it is an independent body. Minimum wages are fixed on the basis of occupation and industry.[2]

When unions believe there is a case for reviewing the minimum wage and other non-wage benefits in a particular sector of activity or for a certain category of employees, they submit their request to the Minister of Labor who then refers the case to the NRB for review. The various parties concerned are then invited to hearing sessions to present and defend their proposals. On the basis of these sessions, the NRB prepares a technical report which is submitted to its chairman. The report analyzes the impact of the union's demands on such factors as the industry's profitability, investment, employment, productivity, etc. Based on the findings of the report, the NRB's chairman will make recommendations to the Minister of Labor. Unions and employers are given fourteen days to transmit their comments on the report. The comments, and counter-proposals, are then reviewed by the NRB and the Minister. A final report is compiled and the recommendations are presented to the Council of Ministers for approval. These recommendations form the basis of the remuneration orders which are enacted by the government.

The prescribed minimum wage for factory workers[3] in the export processing zone (EPZ), including the apparel and footwear industry, is 348.36 Mauritian rupees (MRs), or 13.90 U.S. dollars (US$),[4] per week

---

[1] Unless noted otherwise, information presented here is from American Embassy—Port Louis, unclassified telegram No. 996 (May 6, 1999).

[2] For more information on the minimum wage in Mauritius, see International Labour Organization (ILO), "MinimumWage Fixing in Mauritius," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 6 (Geneva: International Labour Office, 1997), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/mauriti3.htm>.

[3] A "factory worker" (in contrast to an "unskilled worker") is a worker who performs manual tasks requiring a particular skill or aptitude and includes a person who is required to attend to or operate a machine. See Government of Mauritius, *Government Notice No. 65 of 1987*, The Industrial Relations Act, Regulations made by the Minister under section 96 of the Industrial Relations Act, cited as the Export Enterprises (Remuneration Order) (Amendment) Regulations 1987.

[4] At the current exchange rate of MRs25 to US$1.

for the first year of employment. For subsequent years, the minimum wage is MRs366.11 (US$14.60) per week. For administrative purposes, however, workers are generally paid on a fortnightly or monthly basis.

The standard legal workweek in the industrial sector is 45 hours. In the EPZ, an employee may work an additional 10 hours per week, although at a higher hourly wage.[5] For the purpose of determining remuneration due for extra work, the weekly basic rate of a monthly paid worker (other than a watchman) is deemed to be three-thirteenths of the monthly basic rate; the basic rate per hour is deemed to be one forty-fifth of the weekly basic rate.[6]

PREVAILING OR AVERAGE WAGE

Official statistics published by the government show that in March 1998 the average monthly earnings of employees in the apparel industry amounted to MRs6,452 (US$258) compared to MRs5,156 (US$286) in 1995. In the footwear industry, the average monthly earnings amounted to MRs9,210 (US$368) in March 1998 compared to MRs7,332 (US$407) in 1995.

Average Earnings by Selected Industrial Group in the Export Processing Zone, March 1994-March 1998

Employees exclusively on monthly rates of pay (rupees per month)

Industrial Group	1994	1995	1996	1997	1998
All Sectors	4,955	5,257	5,497	5,787	6,422
Manufacturing	4,954	5,250	5,493	5,777	6,403
Textiles	5,072	5,452	5,632	5,951	6,733
Wearing apparel	4,956	5,156	5,463	5,758	6,452
Footwear and Leather Products	6,170	7,332	8,288	8,394	9,210
Non-Manufacturing	5,020	5,707	5,902	6,527	8,100

Employees exclusively on daily rates of pay (rupees per day)

Industrial Group	1994	1995	1996	1997	1998
All Sectors	111	117	125	137	145
Manufacturing	112	118	125	137	146
Textiles	132	134	165	176	194
Wearing apparel	109	111	119	134	143
Footwear and Leather Products	112	131	137	137	136
Non-Manufacturing	98	108	108	89	98

Source: Based on official Mauritian government statistics conveyed by the American Embassy, Port Louis.

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 282.

[6] See Government of Mauritius, *Government Notice No. 191 of 1984,* the Industrial Relations Act, Regulations made by the Minister under section 96 of the industrial Relations Act, cited as the Export Enterprises (Remuneration Order) Regulations 1984.

Employers in the apparel industry report that, in practice, workers can earn two or three times the minimum wage. This is mainly due to a labor shortage and employers, which have driven up wages, and to other factors such as overtime work (workers may be required to perform extra hours of work for up to ten hours a week for which they are paid a higher rate), productivity and attendance bonuses, and wage compensation granted as a result of an increase in the cost of living.

The table below presents available data from the International Labor Organization (ILO) on average daily earnings (direct wages per worker) in Mauritius for production workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[7] No data were available from the ILO for average hours worked per week by production workers in all manufacturing or in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing, Apparel and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (MRs; 1990=100)			
	(MRs)	(US$)	(MRs)	(US$)	(MRs)	(US$)	Manuf.	Apparel	Footwear	
1990	60.48	4.07	52.65	3.54	79.00	5.32	100	100	100	
1991	84.00	5.37	75.00	4.79	85.00	5.43	130	133	101	
1992	93.00	5.98	82.00	5.27		97.00	6.23	137	139	110
1993	109.00	6.18	91.00	5.16	99.00	5.61	146	140	101	
1994	122.00	6.79	108.00	6.01	109.00	6.07	152	154	104	
1995	132.00	7.59	110.98	6.38	120.73	6.94	155	150	109	
1996	137.00	7.63	117.99	6.57	122.34	6.82	151	149	103	
1997	148.74	7.23	132.00	6.42	137.92	6.71	153	156	109	

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 879.

NON-WAGE BENEFITS

The main government-mandated non-wage benefits for EPZ workers (including apparel and footwear industries) are: (a) *annual leave*: after one year of service, workers are entitled to sixteen days' leave on full pay if they are employed on a six-day week or fourteen days if employed on a five-day week; (b) *sick leave*: after one year of service, workers employed on a six-day week are entitled to twenty one days' sick leave and a further period of fourteen days' sick leave on full pay for prolonged illness; (c) *maternity benefits*: female workers who have been employed for twelve months preceding their confinement are

[7] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

entitled to twelve weeks' leave on full pay; (d) *attendance bonus*: workers who during a period of one month and have not been absent on any day on which they are required to work are entitled to a bonus of not less than five percent of the basic wage earned for that month; (e) *end of year bonus*: workers who have been employed for one year are entitled to a bonus equivalent to one twelfth of their earnings for that year; (f) *transport benefits and facilities*: workers are entitled to free transport or are paid the return bus fare where no free transport is available, if the distance between their residence and the place of work exceeds 3.2 km; (g) *subsistence allowance*: when a worker, after having completed a normal day's work, is required to work after 7:00 p.m., he or she must be provided with a meal allowance of MRs10 (US$0.40) ; and (h) *death grant*: on the death of a worker who has been employed for not less than twelve continuous months, the employer must make a one-time payment of MRs1,000 (US$40) to his/her spouse.

A U.S. Social Security Administration survey[8] elaborates on several different non-wage benefit programs in which employers are required to participate for their employees: (1) old age, disability, death is a dual universal (for all residents) and social insurance program (earnings-related for all employees), begun in 1951, in which the insured person pay nothing for the universal pension and 3 percent of earnings for the earnings-related pension, employers pay nothing toward the universal pension and 6 percent of payroll for the earnings-related pension, and the government pays the entire cost of the universal pension and any deficit for the earnings-related pension; (2) sickness and maternity benefits, first legislated in 1975, require employers to provide up to 21 days of sick leave or 12 weeks of maternity leave (6 weeks before and 6 weeks after confinement) to employees; free medical services are available to the population in government dispensaries and hospitals, and financial assistance is available to needy persons; (3) work injury benefits, initiated in 1931 as part of the a social insurance system, cover all employees and the employer pays the entire cost as part of their contributions to the social insurance program; and (4) the Unemployment Hardship Relief Act of 1983 provides means-tested benefits to heads of households under age 60 after 30 days' registered unemployment; and (5) a program of family allowances for needy families with 3 or more children is supported entirely by the government.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There are no official data on the poverty line in Mauritius. However, a recent ILO report[9] indicates that in terms of abject poverty—as measured by the World Bank's US$1 per person per day poverty line—poverty is undoubtedly low in Mauritius. In 1997, the government conducted a study on poverty in Mauritius, but for political reasons, the report was not released. Also the government is currently undertaking a study with a view to putting in place a series of poverty alleviation programs for Mauritius.

---

[8] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 241-242.

[9] Task Force on Country Studies on Globalization, *Studies on the Social Dimensions of Globalization: Mauritius* (Geneva: International Labour Office, March 1999). Copy sent by the American Embassy is on file.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports for 1979 12 percent of the Mauritian population was below the poverty line of annual per capita income of US$190.[11]

The World Bank reports that, in 1992, 10.6 percent of the Mauritian population was below the national poverty line.[12]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Mauritius meet workers' basic needs. More general information from the U.S. Embassy indicates that labor unions claim that EPZ workers have to work extra hours in order to earn enough to meet their basic needs. They also claim that, based on the actual cost of living, the minimum living wage should be at least MRs6,000 (US$250) per month. However, no formal study has been done on this issue to date. There is legislation which provides for the payment of an additional remuneration to workers in the private sector, including the EPZ, to compensate them for the annual increase in the cost of living. The compensation granted is based primarily on the rate of inflation in the previous year.

---

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 19.

[11] The estimate is referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[12] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

MEXICO[1]

MINIMUM WAGE

The minimum wage is set annually by the tripartite (labor, management, and government) National Minimum Wage Commission (CNSM) during the first week of December. Normally, the increase in the minimum wage authorized by the CNSM is set to begin on January 1 of the following year. However, the increase for 1999 became effective on December 3, 1998. For a decade, until 1997, the decision of the CNSM followed tripartite deliberations in October in the context of an annual *Pacto Económico* between labor, business, and government to keep inflation in check. Since 1997, the *Pacto* has been replaced by the annual congressional deliberations on the federal budget.[2]

The country is divided into three geographic areas for purposes of the minimum wage, with the most industrially developed areas in Zone A and the least developed in Zone C. For each of these three geographic areas, there are 88 different occupational minima. The general minimum wage covers all employees not covered by separate occupational minima, all of which are higher than the general minimum. The minimum wage is for a day's work of eight hours; however, workers who are employed by the week are paid for seven days (six days of work and one day of rest). For 1999, the minimum wage rates are: Zone A, 34.45 pesos (M$) per day, roughly 3.50 U.S. dollars (US$); Zone B, M$31.90 per day, roughly US$3.24; and Zone C, M$29.70 per day, roughly US$3.02. A table at the end of this country summary presents the general daily minimum wage rates by geographic area with a national average since 1990.

PREVAILING OR AVERAGE WAGE

The following table presents average monthly wages in the apparel and footwear industries, based on official statistics from the Mexican government's National Institute of Statistics, Geography and Informatics (*Instituto Nacional de Estadística, Geografía e Informática–INEGI*) and provided to the U.S. Department of Labor by the U.S. Embassy. The wage estimates are referenced by INEGI as covering only production workers, but appear to be high compared with data from other sources and may include executives as well as production workers.

---

[1] Unless noted otherwise, information presented here is from American Embassy—Mexico City, unclassified telegram No. 1941 (March 4, 1999).

[2] For more information on the minimum wage in Mexico, see International Labour Organization (ILO), "Minimum Wage Fixing in Mexico," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 11 (Geneva: International Labour Office, 1998), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/mexico3.htm>.

Average Monthly Wages in the Apparel and Footwear Industry, 1995-98
(in US$ converted at average annual exchange rate of the Bank of Mexico)

Sector	1995	1996	1997	1998
Apparel				
Hosiery	794.26	986.80	1,207.35	1,091.68
Sweaters	299.34	328.57	380.24	358.47
Men's clothes	1,452.74	1,972.54	2,587.91	2,537.88
Women’s clothes	611.99	725.70	798.43	736.09
Shirts	588.13	642.82	760.76	705.03
Uniforms	335.27	372.29	443.31	447.02
Children’s clothes	466.98	550.08	699.23	613.33
Footwear				
Leather	2,653.52	3,360.87	3,782.13	3,828.90
Non-leather 690.00	940.49	1,142.38	976.29	

Note: Based on a 48-hour workweek; 1998 figures only through May.
Source: INEGI

On March 1, 1999, the American Apparel Manufacturers Association and the *Cámara Nacional de la Industria del Vestido* (Chamber of the Mexican Apparel Industry) held a briefing in Mexico City to promote a pilot of the “Responsible Apparel Production Program” (RAPP). Ten firms in Mexico volunteered to be monitored to determine whether they are in compliance with the industry code of conduct, including worker rights, established by the apparel industry.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in Mexico for production workers in the manufacturing sector and in the apparel and leather footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week by all employees were 45.1 in all manufacturing for the years 1990 through 1997, and 42.2 in apparel and 40.4 in footwear and leather goods for the years 1990 through 1995.[4] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund’s *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund’s *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Hourly Earnings in All Manufacturing, Apparel, and Footwear

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 739.

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (M$: 1990=100)		
	(M$)	(US$)	(M$)	(US$)	(M$)	(US$)	Manuf.	Apparel	Footwear
1990	4.15	1.48	2.85	1.01	3.92	1.39	100	100	100
1991	5.22	1.73	3.65	1.21	5.03	1.67	103	104	105
1992	6.39	2.06	4.35	1.41	6.72	2.17	109	108	121
1993	6.53	2.10	5.54	1.78	6.02	1.93	101	125	99
1994	7.21	2.14	4.91	1.45	6.28	1.86	104	103	96
1995	8.29	1.29	5.38	0.84	6.63	1.03	89	84	75
1996	10.16	1.34	6.40	0.84	7.85	1.03	81	74	66
1997	12.10	1.53	na	na	na	na	80	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 892.

NON-WAGE BENEFITS

The Mexican government, through the Federal Labor Law (LFT), requires all employers to make the following non-salary payments to, or on behalf of the employee: annual bonus (15 days wages); vacation premium on salary (25 percent of daily wages for vacation days); transport bonus (subsidized transportation to and from work); performance bonus; seniority bonus; third shift bonus; Sunday bonus; punctuality bonus; quarterly bonus; and periodic payments in kind (basic foodstuffs).

The following table presents average monthly fringe benefits for workers in the apparel and footwear industries, based on official statistics from INEGI and provided to the U.S. Department of Labor by the U.S. Embassy. The fringe benefits estimates are referenced by INEGI as covering only production workers, but appear to be high compared with data from other sources and may include executives as well as production workers.

Average Monthly Fringe Benefits, 1995-98
(in US$ converted at average annual exchange rate of the Bank of Mexico)

Sector	1995	1996	1997	1998
Apparel				
Hosiery	612.82	580.08	680.97	601.30
Sweaters	178.04	187.28	205.75	224.69
Men's clothes	588.97	760.45	991.89	944.69
Women's clothes	264.17	277.49	322.66	270.93
Shirts	242.15	256.92	211.10	200.67
Uniforms	119.43	149.30	151.82	143.11
Children's clothes	225.82	230.53	245.85	227.47
Footwear				
Leather	1,499.02	1,526.36	1,578.08	1,514.77
Non-leather	409.45	446.72	494.62	494.49

Note: Based on a 48-hour workweek; 1998 figures only through May.
Source: INEGI

Legislation retroactive to October 1, 1993, established a negative income tax (or devolution) of 7.5 to 10.8 percent for workers earning the minimum wage. This devolution is paid with each paycheck by employers, who may subtract the amount from any taxes owed the federal government. Combining this with the minimum-wage increase, minimum-wage earners received an increase in their incomes of 14.5 to 17.8 percent from 1993 to 1994. The same legislation eliminated income taxes on those earning up to two times the minimum wage and reduced them for those earning less than four times the minimum. In 1995, the fiscal subsidy was increased by three percent. From 1996 through 1998, the fiscal subsidy was 14 percent.[5]

A U.S. Social Security Administration survey[6] elaborates on five non-wage benefit programs that employers in Mexico are required to participate in on behalf of their employees: (1) old, age, disability, and death benefits, first established in 1943 and revised in 1997, in which insured persons contribute 1.125 percent of earnings for old age benefits and 0.625 percent of earnings between 15 and 25 times the minimum wage for disability and survivors' insurance, employers pay 2 percent of payroll for employees with earnings up to 5 times the minimum wage and 3.15 percent of payroll for those with earnings between 15 and 25 times the minimum wage and an addition 1.75 percent of payroll for disability and survivors' insurance and 5 percent for the housing fund, and the government pays 10.14 percent of the employers' contributions and guarantees a minimum pension equal to 5.5 percent of the minimum daily wage; (2) sickness and maternity benefits, also established in 1943, in which the insured pays 3.125 pays of earnings, employers pay 8.75 percent of payroll, and the government contributes 0.625 percent of payroll; (3) work injury benefits in which the employer pays 0.348-10.035 percent of payroll, according to risk; (4) unemployment benefits, the Labor Law requires employers to pay a lump sum equal to 3 months' pay plus 20 days' pay for each year of service; and (5) family allowances program in which employers pay 1 percent of payroll up to a ceiling of 25 times the minimum wage in Federal District (around Mexico City) for child care programs.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Methodology for determining the levels of poverty varies. The most sophisticated system employed is that developed for the Mexican government's anti-poverty program, *Progresa*. This program is aimed at the abject poor, who are principally rural and indigenous and total about 26 million people (out of a total rural and indigenous population in excess of 31 million). Since the program is centered on education and health, the detailed field census employed to identify persons eligible for benefits factors in not only income levels, but also access to public education and health care.

Based upon a less rigorous methodology, a variety of government agencies conclude that about 40 million Mexicans live below a less well-defined poverty line. The difference between the 26 million and 40 million figures could generally be considered the working urban poor, many of whom are found in the growing informal economy, and who largely work without the protection of the LFT. A 1999 UN Population Fund study asserted that 78 percent of the Mexican population could be considered not prosperous, and that the number of poor people increased by 10.6 million between 1994 and 1996. The study further asserted that 51 million Mexicans are very poor and 26 million live in abject poverty

[5] U. S. State Department, *Country Reports on Human Rights Practices for 1997* (Washington: U.S. Government Printing Office, March 1998), p. 590.

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 243-245.

(a figure identical to that used by the Mexican government).

The Mexican Secretariat of Labor computes on a quarterly basis the daily and monthly cost of a minimum 4.6-person family consumption basket (*canasta de consumo familiar mínimo*). For the first quarter of 1999, the cost of the minimum family consumption basket was M$168.04 (US$17.09) per day, or M$36.53 (US$3.71) per person per day. The following table presents the components of the consumption basket and the daily and monthly costs for a family for the first quarter of 1999 (March 1999):

		Minimum Cost for Family	
Item	Share of Total Cost	Daily (M$)	Monthly (M$)
Total	100.0	168.04	5,041.14
Food	38.3	64.32	1,929.68
Clothing	7.3	12.19	365.66
Goods and Services	30.1	50.64	1,519.10
Household furnishings	6.9	11.54	346.34
Personal services	2.7	4.54	136.29
Transportation	10.6	17.80	534.00
Education and entertainment	4.2	7.00	210.07

Source: *Informe de Política Laboral de la Direccíon Ejecutiva de Estudios del Trabajo (DEET)*, No. 10 (México, DF: Secretaría del Trabajo y Previsíon Social (STPS), May 15, 1999), pp. 1-2; copy provided in public submission by the Chicago Religious Leadership Network on Latin America (CRLN) in response to the U.S. Department of Labor's *Federal Register* notice of June 30, 1999.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports several sets of measures of the national poverty line for Mexico:

- for 1989, 31.6 percent of the Mexican rural population and 9.1 percent of the Mexican urban population were below the poverty line of US$60 per capita per month in 1985 purchasing power parity adjusted US$, with a national poverty rate of 17.7 percent.[8]

- for 1984, 54 percent of the Mexican rural population and 36 percent of the Mexican urban population were below the poverty line, with a national poverty rate of 43.0 percent; for 1992, 55 percent of the rural population and 37 percent of the urban population were below the poverty line, with the national poverty rate of 44 percent.[9]

---

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 63-64.

[8] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Table 13.1. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[9] The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC,

The World Bank reports[10] that, in 1988, 10.1 percent of the Mexican population was below the country-specific poverty line. The same source also reports that, in 1992, 40.0 percent of the Mexican population was below the international poverty line of US$2 per person per day and 14.9 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Mexico meet workers' basic needs. More general information from the U.S. Embassy indicates that while minimum wage is supposed to provide support for an average sized family, a recent study commissioned by the Labor Congress (CT), the labor umbrella organization, reported that the basic basket of goods and services reached M$3,000 per month, or more than three times the minimum wage. The minimum wage is one of several economic references in collective bargaining negotiations, along with prevailing rates in the industry, the economic condition of the firms, and productivity.

Ruth Rosenbaum of the Center for Reflection, Education and Action estimated a living wage for Mexico for 1994 using the Purchasing Power Index method.[11] The Interfaith Center for Corporate Responsibility undertook an informal market basket survey (1995) that found that wages for maquila workers were one-half of what they needed to be to purchase a market basket of the items "they need."[12]

Magnitud de la Pobreza en América Latina en los Años Ochenta (Santiago: ECLAC, 1990). The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[10] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 197.

[11] See *Sweatshop Watch*, web page: <http://www.sweatshopwatch.org>.

[12] David Schilling, "Maquiladora Workers Deserve a Sustainable Living Wage," *Interfaith Center on Corporate Responsibility Brief*, Vol. 23, No. 10 (1995), pp. 3a-3d.

General Minimum Wage by Geographic Area, 1990-99
(in M$ and US$ per day)

Period	National Average	Geographic Areas		
		A	B	C
1990 (Avg/Jan-Dec) Jan 1 – Nov 15 Nov 16 – Dec 31	9.35 (US$3.32) 9.14 10.79	10.31 (US$4.85) 10.08 11.90	9.54 (US$3.39) 9.33 11.00	8.60 (US$3.06) 8.41 9.92
1991 (Avg/Jan-Dec) Jan 1 – Nov 10 Nov 11 – Dec 31	10.97 (US$3.63) 10.79 12.08	12.10 (US$4.01) 11.90 13.33	11.18 (US$3.70) 11.00 12.32	10.09 (US$3.34) 9.92 11.12
1992 (Jan-Dec)	12.08 (US$3.90)	13.33 (US$4.31)	12.32 (US$3.98)	11.12 (US$3.59)
1993 (Jan-Dec)	13.06 (US$4.19)	14.27 (US$4.58)	13.26 (US$4.26)	12.05 (US$3.87)
1994 (Jan-Dec)	13.97 (US$4.14)	15.27 (US$5.52)	14.19 (US$4.20)	12.89 (US$3.82)
1995 (Avg/Jan-Dec) Jan 1 – Mar 31 Apr 1 – Dec 3 Dec 4 – Dec31	16.43 (US$2.56) 14.95 16.74 18.43	17.96 (US$2.80) 16.34 18.30 20.15	16.68 (US$2.60) 15.18 17.00 18.70	15.15 (US$2.36) 13.79 15.44 17.00
1996 (Avg/Jan-Dec) Jan 1 – Mar 31 Apr 1 – Dec 2 Dec 3 – Dec 31	20.39 (US$2.68) 18.43 20.66 24.30	22.30 (US$2.93) 20.15 22.60 26.45	20.67 (US$2.72) 18.70 20.95 24.50	18.81 (US$2.48) 17.00 19.05 22.50
1997 (Jan-Dec)	24.30 (US$3.07)	26.45 (US$3.34)	24.50 (US$3.10)	22.50 (US$2.84)
1998 (Avg/Jan-Dec) Jan 1 -- Dec 2 Dec 2 -- Dec31	28.30 (US$3.10) 27.99 31.91	30.54 (US$3.34) 30.20 34.45	28.31 (US$3.10) 28.00 31.90	26.34 (US$2.88) 26.05 29.70
1999 (Jan 1–)	31.91 (US$3.24)	34.45 (US$3.50)	31.90 (US$3.24)	29.70 (US$3.02)

Notes: The national average is a weighted average of the three geographic areas. Annual averages are weighted averages of daily rates. Mexican pesos are converted to US$ using the annual average exchange rate from the International Monetary Fund's *International Financial Statistics*. The geographic areas are defined as follows:

Area A (Mexico City and surrounding industrial area, Acapulco, and most border export-processing and petroleum producing and processing areas, among others); specifically, the municipalities in the following states: *Baja California* and *Baja California Sur* (all municipalities); *Chihuahua* (Guadalupe, Juárez, Praxedis G., and Guerrero); *Distrito Federal* (all delegations); *Guerrero* (Acapulco de Juárez); *Estado de México* (Atizapán de Zaragoza, Coacalco, Cuautitlán, Cuautitlán Izcalli, Ecatepec, Naucalpan de Juárez, Tlalnepantla de Baz, and Tultitlán); *Sonora* (Agua Prieta, Cananea, Naco, Nogales, Plutarco Elias Calles, Puerto Peñasco, San Luis Río Colorado, and Santa Cruz); *Tamaulipas* (Camargo, Guerrero, Gustavo Díaz Ordaz, Matamoros, Mier, Miguel Alemán, Nuevo Laredo, Reynosa, Río Bravo, San Fernando, and Valle Hermoso); and *Veracruz* (Agua Dulce, Coatzacoalcos, Cosoleacaque, Las Choapas, Ixhuatlán del Sureste, Minatitlán, Moloacan, Nanchital de Lázaro and Cárdenas del Río).

Area B (Guadalajara, Monterrey, and most of the rest of Chihuahua, Sonora, and Tamaulipas, among others); specifically, the municipalities in the following states: *Jalisco* (Guadalajara, El Salto, Tlajomulco, Tlaquepaque, Tonalá, and Zapopan); *Nuevo León* (Apodaca, Garza García, General Escobedo, Guadalupe, Monterrey, San Nicolás de los Garza, and Santa Catarina); *Sonora* (Altar, Atil, Bácum, Benjamín Hill, Caborca, Cajeme, Carbó, La Colorada, Cucurpe, Empalme, Etchojba, Guaymas, Hermosillo, Imuris, Magdalena, Navojoa, Opodepe, Oquitoa, Pitiquito, San Miguel de Horcasitas, Santa Ana, Sáric, Suaqui Grande, Trincheras, Tubutama, and Huatabampo); *Tamaulipas* (Aldama, Altamira, Antiguo Morelos, Cd. Madero, Gómez Farías, González, Mante, Nueavo Morelos, Ocampo, Tampico, and Xicoténcati); and *Veracruz* (Coatzintla, Poza Rica de Hidalgo, and Tuxpan).

Area C (the rest, mostly less-developed parts of the country); specifically, all the municipalities in the following states: Aguascalientes, Coahuila, Colima, Chiapas, Durango, Guanajuato, Hidalgo, Michoacán, Morelos, Nayarit, Oaxaca, Puebla, Querétaro, Quintana Roo, San Luis Potosi, Sinaloa, Tabasco, Tlaxcala, Yucatán, Zacatecas, and all the municipalities not mentioned under Area A or B in the states of Chihuahua, Guerrero, Jalisco, México, Nuevo León, Sonora, Tamaulipas, and Veracruz.

Source: National Minimum Wages Commission (Comisión Nacional de Salarios Mínimos, CONASAMI) and Banco de México.

NICARAGUA[1]

MINIMUM WAGE

The minimum wage is set through tripartite (business, government, and labor) negotiations and must be approved by the National Assembly. A new minimum wage scale took effect in November 1997, the first increase since 1991. The minimum wage differs from sector to sector, and is highest among construction workers who receive at least 1,200 córdobas (C$) per month (or 97.60 U.S. dollars (US$) per month, at an exchange rate of C$12.30 per US$). The minimum wage in the manufacturing sector, which includes footwear and apparel, is C$600 (US$48.80) per month. The lowest paid workers are in agriculture and livestock, earning a minimum of C$450 (US$36.60) per month plus meals. Labor law stipulates a 8-hour workday; the legal standard workweek is a maximum of 48 hours, with 1 day of rest weekly.

PREVAILING OR AVERAGE WAGE

Nicaragua's labor force, an estimated 1.63 million workers, is largely rural-based and largely unskilled. An estimated 43 percent of the employed population is working in the agricultural sector, 13 percent in manufacturing, and 44 percent in services. The majority of urban workers, including apparel workers, earn well above the minimum rates.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Nicaragua[2] for all employees in the manufacturing sector and the apparel industry; data were not available for the footwear industry. Earnings data include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Data were not available from the ILO for average weekly hours worked by production workers in manufacturing or in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1991 = 100.

---

[1] Unless noted otherwise, information presented here is from American Embassy—Managua, unclassified telegram No. 1286 (May 10, 1999).

[2] The North Atlantic and South areas are excluded.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

Average Monthly Earnings in All Manufacturing and Apparel

Year	All Manufacturing		Apparel		Real Earnings Index (C$; 1991=100)	
	(C$)	(US$)	(C$)	(US$)	Manufacturing	Apparel
1991	1,141	267	658	154	100	100
1992	1,951	390	1,140	228	138	140
1993	2,150	383	1,183	210	127	121
1994	2,282	340	1,243	185	126	119
1995	2,444	324	1,432	190	122	123
1996	2,672	317	1,621	192	119	125
1997	2,724	288	1,636	173	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 893.

NON-WAGE BENEFITS

The 1996 Labor Code states that severance pay shall be from 1 to 5 months' pay, depending on the duration of employment and the circumstances of separation. However, persons separated for cause may be denied severance pay through a process requiring employers to demonstrate proof of worker misconduct. The code also mandates an employer to provide housing for employees who are assigned temporarily to areas beyond commuting distance.

A U.S. Social Security Administration survey[4] elaborates on four different non-wage benefit programs in which employers in Nicaragua must participate for their employees: (1) old age, disability, and death benefits are part of a social insurance program, begun in 1955, in which the insured person pays 1.75 percent of their earnings, employers pay 3.5 percent of their payroll, and the government pays 0.25 percent of payroll; (2) sickness and maternity benefits, first legislated in 1955, are a dual social insurance system and universal medical system, with insured persons paying 2.25 percent of their earnings, employers paying 6 percent of their payroll, and the government paying 0.25 percent of earnings (plus employer contributions for public employees); (3) work injury benefits have been a part of the Labor Code since 1930 and now are part of the social insurance system with contributions being borne entirely by employers who contribute 1.5 percent of their payroll; and (4) family allowances are a means-tested social insurance system which cover needy families and is supported by the same sources as for old age, disability, and death benefits.

ASSESSING BASIC NEEDS: THE POVERTY LINE

In January, the National Minimum Salary Commission determined that a Nicaraguan family with a combined income of less than C$1,200 (US$104) is below the poverty line. The Commission meets annually and determines the income required for the *canasta básica* (basic needs basket), the Nicaraguan equivalent of a poverty line. The formula used by the Commission is based on national surveys of price and availability of basic food and clothing, plus transportation and medical costs. The Commission then averages these and determines what a typical family of four needs to survive.

[4] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 261-262.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[5] reports that for 1993, 76.1 percent of the rural, 31.9 percent of the urban, and 50.3 percent of the Nicaraguan population were below a poverty line of a monthly per capita expenditure (2,226 calories per adult equivalent) of 214.47 córdobas.[6]

The World Bank reports[7] that, in 1993, 50.3 percent of the Nicaraguan population was below the country-specific poverty line, with 31.9 percent of the urban population and 76.1 percent of the rural population living below the poverty line. For the same year, the same source reported that 74.5 percent of the Nicaraguan population was below the international poverty line of US$2 per person per day and that 43.8 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Nicaragua meet workers' basic needs. More general information from the U.S. Embassy indicates that the current minimum wage falls below government estimates of what an urban family must spend each month for a basic basket of goods (C$1,200), but no studies were identified on the living wage in Nicaragua.

---

[5] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 64.

[6] The estimates are referenced as originating from the World Bank, *Republic of Nicaragua Poverty Assessment*, *Vol. I: Main Report and Vol. II: Annexes*, Report No. 14038-NI (Washington: World Bank, 1995), Vol. I, pp. 2-4. The study is based upon data from the World Bank, Nicaragua Living Standards Measurement Survey 1993, and equivalence scales are used to translate basic needs of children into adult-equivalents. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 162.

[7] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 197.

PAKISTAN[1]

MINIMUM WAGE

Pakistan has a federal minimum wage for unskilled workers. It applies only to industrial and commercial establishments employing 50 or more workers and is determined by the National Minimum Wage Commission and requires approval by Parliament. At present, it is 1,950 Pakistani rupees (PRs)—about 38 U.S. dollars (US$)—per month. When first instituted in July 1992, it was PRs1,500 (about US$50 at that time) per month; in 1996, it was raised to PRs1,650 (about US$47) per month.[2]

The minimum wage for skilled workers is set by the provinces, and specific information is only available from each provincial labor regulatory body.

Minimum wages practically apply only to workers in the formal sector and do not affect agricultural workers.[3] Labor law, applicable nationally but to only firms with 10 or more workers, provides for a maximum workweek of 54 hours for seasonal factories and a maximum workweek of 48 hours for other industrial workers as well as for rest periods during the workday.[4]

PREVAILING OR AVERAGE WAGE

The U.S. Embassy reported that information on prevailing wages in the apparel and footwear industries was not available from government sources.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Pakistan for all employees in the manufacturing sector and in the combined apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[5] No data were available from the ILO for average hours worked per week by all

---

[1] Unless noted otherwise, information presented here is from American Embassy—Islamabad, unclassified telegram No. 1697 (March 1, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1996* (Washington: U.S. Government Printing Office, February 1997), p. 1482.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1963.

[4] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1963.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

employees in manufacturing or in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing and Apparel and Footwear

Year	All Manufacturing		Apparel & Footwear		Real Earnings Index (PRs; 1990=100)	
	(PRs)	(US$)	(PRs)	(US$)	Manuf.	Apparel & Footwear
1990	1,735	80	1,812	83	100	100
1991	na	na	na	na	na	na
1992	na	na	na	na	na	na
1993	1,502	54	1,798	64	64	74
1994	1,956	64	1,932	63	75	70
1995	na	na	na	na	na	na
1996	na	na	na	na	na	na
1997	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998,* p. 913.

NON-WAGE BENEFITS

Additional benefits required by the federal labor code include official government holidays, overtime pay, annual and sick leave, health and safety standards in the workplace, health care, workers' children education, social security, employees old age benefits, and a workers welfare fund. Required non-wage benefits are numerous, but compliance and resources for compliance are unconfirmed and questionable.

A U.S. Social Security Administration survey[6] elaborates on four non-wage benefit programs in which employers in Pakistan participate in on behalf of their employees: (1) old age, disability, and death benefits are part of a social insurance system, begun in 1972 and applicable only to firms with 10 or more workers, in which employers contribute 5 percent of their payroll and the government contributes subsidies as needed; (2) sickness and maternity benefits, begun in 1965 and now part of the social insurance system but applicable only to workers earning PRs3,000 or less per month in selected industries, in which employers make the entire contribution of 7 percent of payroll; (3) work injury benefits, begun in 1923 and now part of the social insurance system but available only to workers in firms in selected industries with 10 or more employees earning PRs3,000 or less per month, into which employers make the entire contribution; and (4) unemployment insurance, a compulsory system, in which the Labor Code requires employers with 20 or more employees to pay severance equal to the last 30 days' wages for each year of employment.

[6] Social Security Administration, *Social Security Programs Throughout the World-1997* (Washington: U.S. Government Printing Office, August 1997), pp. 272-273.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Pakistan does not have an official poverty line. Federal income taxes are not leveled on persons earning less than PRs60,000 per year according to Labor Ministry officials.

Estimates of Pakistan's poverty line vary greatly. Some officials state that the more widely accepted figure for Pakistan's poverty line is the figure of PRs332 (US$6.39) per person per month contained in the World Bank's *World Development Report 1998*. According to an April 1998 report of the Pakistan Planning Commission Working Group on Poverty Alleviation,[7] more than 29 million persons (about 22.3 percent of the total population) are unable to meet the minimum nutritional norm. The Planning Commission also reports on more comprehensive poverty measures which are based on access to basic needs. Over 60 percent of the population is deprived of basic amenities such as safe drinking water, sewage facilities, health, and education. The following summarizes the different poverty lines for Pakistan which were estimated by the Commission's Working Group:[8]

- To estimate a food poverty line, the Working Group first established norms for the minimum daily per adult-equivalent calorie intake: 2,550 calories for rural areas and 2,230 calories for urban areas. Then the Working Group estimated a calorie-food consumption function, using linear regression methods to determine the food expenditure level at which the required calorie intake is satisfied. For 1992/93, the minimum monthly per capita money value of a food basket consistent with the daily recommended level of calorie intake, or the food poverty line, was PRs214.13 for all Pakistan, PRs217.72 for rural areas, and PRs 221.53 for urban areas; 22.3, 26.2, and 21.7 percent of the respective populations were below the food poverty line.

- The Working Group also estimated poverty lines based on the cost of basic needs method (i.e., the minimum expenditure required to obtain a basket of basic needs consisting of food, clothing, housing, health services, education, transportation, and social and recreational activities. The cost of food items was estimated as the average expected food expenditure required to meet the recommended per adult-equivalent daily calorie intake (the food poverty line). The cost of non-food items was based on the cost of non-food expenditures of those whose income group consumed more than the cost of required daily calorie intake. The food and non-food costs for 1992/93 were added together to obtain the cost of basic needs poverty line: per capita monthly expenditures of PRs399.14 for all Pakistan, PRs367.89 for rural areas, and PRs462.56 for urban areas. Income and consumption measures were used to determine the percentage of the population below the basic needs poverty line. If neither income nor consumption expenditures were sufficient to meet basic needs, the Working Group identified this segment of the population as "real" poor. For 1992/93, the income-based

[7] Planning Commission, *Report of the Working Group on Poverty Alleviation, Ninth Five Year Plan (1998-2003)* (Islamabad: Government of Pakistan, April 1998).

[8] Based on estimates from S.M. Younas Jafri, "Paper Prepared for Working Group on Poverty Alleviation for the Ninth Five Year Plan (1998-2003)" (August 1997) in Planning Commission, *Report of the Working Group on Poverty Alleviation, Ninth Five Year Plan (1998-2003)* (Islamabad: Government of Pakistan, April 1998), pp. 37-42.

estimates showed 45.4 percent of the national, 49.1 percent of the rural, and 41.8 percent of the urban population were below the basic needs poverty line; the consumption-based estimates showed 39.5 percent of the national, 37.5 percent of the rural, and 41.0 percent of the urban population were below the basic needs poverty line; and the "real" poverty (income- and consumption-based) estimates showed 33.1 percent of the national, 32.0 percent of the rural, and 34.4 percent of the urban population were below the basic needs poverty line.

A recent poverty assessment by the World Bank presents some poverty estimates for Pakistan.[9] The World Bank staff poverty estimates are based on data from the *Household and Income Expenditures Surveys* (1984/85, 1987/88, and 1990/91) and use a cost of basic needs basket of goods and services, taking into account differences in family size and cost of living between rural and urban areas, to estimate a reference poverty lines: in rural areas, PRs296 consumption expenditures per person per month in 1991/92 rural prices, and, in urban areas, PRs334 consumption expenditures per person per month in 1991/92 urban prices. The poverty rates (percent of population below the poverty line) are summarized in the following table:

Period	Rural Areas (percent)	Urban Areas (percent)	National (percent)	National (millions of persons)
1984/85	49.3	38.2	46.0	43.6
1987/88	40.2	30.7	37.4	38.8
1990/91	36.9	28.0	34.0	38.7

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports several measures of a national poverty line for Pakistan:

! For 1984/85, 21.1 percent of rural and 18.3 percent of the urban Pakistani households were below the poverty line (expenditures consistent with a daily intake of 2,550 calories per adult-equivalent), with a national poverty rate of 18.3 percent of all households;

for 1987/88, 15.5 percent of the rural and 6.8 percent of the urban households were below the same poverty line, with a national poverty rate of 13.1 percent of all households.[11]

[9] World Bank, *Poverty Assessment*, Report 14397-PAK, Country Operations Division, Country Department I, South Asia Region (Washington: World Bank, September 25, 1995), pp. 3; 52.

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 39-41.

[11] The estimates are referenced as originating from Sohail J. Malik, "Poverty in Pakistan, 1984-85 to 1987-88," in Michael Lipton and Jacques van der Gaag (eds.), *Including the Poor*, Proceedings of a Symposium Organized by the World Bank and the International Food Policy Research Institute (Washington: World Bank, 1993), pp. 487-502. The study uses data from household income and expenditure surveys from the Federal Bureau of Statistics. The poverty line is based on an estimated relationship between household expenditure and calorie intake. Households are considered poor if the expenditure per adult equivalent is below that which assures a daily intake of 2,550 calories per adult equivalent. The calorie intake standard is the same as that suggested by the Nutrition Cell of the Planning and Development Division of Pakistan. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO*

- ! For 1979, 30 percent of the rural Pakistani population was below a poverty line–PL/1 (expenditures of PRs100 per capita per month in 1979 prices) and 38 percent of the rural population was below a poverty line–PL/2 (expenditures of PRs110 per capital per month in 1979 prices); 23 percent of the urban population was below PL/2 and 29 percent was below a poverty line–PL/3 (expenditures of PRs120 per capital per month in 1979 prices);

  for 1984/85, 24 percent of the rural population was below PL/1 and 31 percent was below PL/2; 20 percent of the urban population was below PL/2 and 25 percent of the urban population was below PL/3.[12]

- ! For 1985, 26.3 percent of the Pakistani population was below the poverty line of US$31 per capita per month in 1985 purchasing power parity adjusted US$ (or PRs184).[13]

- ! For 1991, 11.4 percent of the Pakistani population was below the poverty line of US$30.42 per capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$.[14]

The World Bank reports[15] that, in 1991, 34.0 percent of the Pakistani population was below the

---

Compendium of Data, pp.152-153.

[12] The estimates are referenced as originating from Ehtisham Ahmad and Steven Ludlow, "Poverty, Inequality and Growth in Pakistan," *Pakistan Development Review*, Vol. 28, No. 4, Part II (Winter, 1989), pp.831-848. The authors make no attempt to establish poverty lines, but consider a range of alternative expenditure levels that encompass poverty lines in several other studies. Two alternative lines for the rural and urban population are given in the ILO compendium. The lines are adjusted using the GDP deflator to derive equivalent lines for other time periods. The incidence figures are derived by applying the "poverty lines" to household expenditure data ranked by per capita expenditure. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 152.

[13] The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), pp. 49-52. The estimate is based upon *Household Income and Expenditure Survey 1984/85* data from the Central Statistical Office, but the estimation procedure did not adjust for varying household size and the poverty incidence may be understated. An absolute poverty line, defined as an expenditure level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the Indian poverty line for rural areas which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US$31 after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth*, Series 34, No. 1 (March 1988), pp. 1-25. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 152.

[14] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[15] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 197.

country-specific poverty line, with 28.0 percent of the urban population and 36.9 percent of the rural population living below the poverty line; for the same year, the same source reports that 57.0 percent of the Pakistani population was below the international poverty line of US$2 per person per day and 11.6 percent of the population was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Pakistan meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is usually inadequate to provide a decent standard of living to support workers and their families, since families tend to be large.[16]

The U.S. Embassy provided the U.S. Department of Labor the following studies on labor policy and poverty alleviation in Pakistan:

- Government of Pakistan Planning Commission, "Draft Chapter on Poverty Alleviation for the Ninth Five Year Plan (1998-2003)," December 1998.

- Government of Pakistan Planning Commission, "Ninth Five Year Plan (1998-2003) Report of the Working Group on Poverty Alleviation," April 1998.

- Government of Pakistan Task Force on Poverty Eradication, "Overcoming Poverty: Report of the Task Force on Poverty Eradication," May 30, 1997.

- World Bank, "Pakistan Poverty Assessment," Report no. 14397-PAK, World Bank Country Operations Division, Country Department I, South Asia Region, September 25, 1995.

[16] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1963.

PERU[1]

MINIMUM WAGE

The 1993 Constitution provides that workers should receive a "just and sufficient" wage. The Constitution also provides for a 48-hour workweek and a weekly day of rest.[2] The current minimum wage is 345 nuevo soles (S/.)—about 100 U.S. dollars (US$)—per month that was set by emergency decree in July 1997.

The minimum wage is determined by the government in consultation with labor and business representatives. In the absence of a rigid formula for determining the minimum wage, the informal process for setting the minimum wage takes into consideration the prevailing rate of inflation and, more importantly, the need to avoid raising the minimum wage so high that it would trigger layoffs and reduce overall employment.

PREVAILING OR AVERAGE WAGE

The vast majority of workers in the apparel and footwear industries are subject to the general minimum wage of S/.345 a month. Since, for the most part, these workers perform their jobs along assembly lines and, therefore, have no opportunity to increase their individual productivity, the actual pay they receive also amounts to S/.345 a month.

There is a relatively small number of workers in the apparel and footwear industries who do not work along assembly lines, but rather in small, self-contained teams of six or eight individuals and, accordingly, are better able to influence their individual or group productivity and, in turn, their actual compensation. Such productivity increases may, at best, generate no more than 10-15 percent extra pay, over and above the minimum wage and prevailing pay of S/.345 a month.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in metropolitan Lima, Peru for production workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week by production workers were 47.0 in

[1] Unless noted otherwise, information present here is from American Embassy—Lima, unclassified telegram No. 1287 (March 2, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 761.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

manufacturing for the years 1990 through 1995,[4] and 41.6 in the apparel industry and 41.7 in the footwear industry for the years 1990 through 1997.[5] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (S/.; 1990=100)		
	(S/.)	(US$)	(S/.)	(US$)	(S/.)	(US$)	Manuf.	Apparel	Footwear
1990	0.27	1.44	0.19	1.05	0.23	1.22	100	100	100
1991	5.98	7.74	3.74	4.84	5.48	7.09	434	372	469
1992	10.07	8.08	6.43	5.16	7.47	6.00	422	369	369
1993	14.77	7.43	5.84	2.94	8.68	4.37	416	226	288
1994	21.88	9.97	7.25	3.30	10.25	4.67	498	226	275
1995	23.90	10.61	na	na	na	na	490	na	na
1996	22.58	9.21	12.10	4.93	15.23	6.21	415	305	330
1997	24.45	9.18	15.13	5.68	16.09	6.04	414	351	321

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 894.

NON-WAGE BENEFITS

Normal non-wage benefits in the apparel and footwear industries are few. Besides granting their workers one month of vacation annually, employers contribute an amount equal to 11 percent of each worker's wages toward social security. In addition, a worker's regular annual pay for 12 months of work is boosted by three extra monthly payments: one just before Christmas, a second just before Peru's independence day on July 28, and a third for the year of service they have just completed. This latter year-of-service related bonus is deposited by the employer in an interest-bearing savings account which may normally may be drawn from only upon termination of employment.

A U.S. Social Security Administration survey[6] elaborates on several non-wage benefit programs in which employers in Peru must participate on behalf of their employees: (1) old age, disability, death benefits, begun in 1936 as an individual private pension program and now comprised of a social insurance system (SNP) for wage and salary employees and an individual private pension system

---

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 740.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 740.

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 280-282.

(SPP) into which, under either system, the insured person pays about 13 percent of their earnings, employers contribute nothing, and the government guarantees a minimum pension; (2) sickness and maternity benefits are provided under either SNP or SPP and the insured pays 3-9 percent of their earnings, employers contribute 6 percent of their payroll, and the government contributes only as an employer; and (3) work injury benefits, begun in 1911, the insured pays nothing, the employer pays 1.0-12.2 percent of their payroll according to risk (with the average being about 2 percent), and the government contributes only as an employer.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line is determined on the basis of Living Standards Measurement Surveys (LSMS) conducted annually or bi-annually. The most recent LSMS was carried out in November 1997, as a result of which the poverty line was set at S/.157, or approximately US$47 per month. This poverty line is about one-half of the current minimum wage of S/.345 a month (approximately US$100).

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports several sets of measures of a national poverty line for Peru:

- for 1979, 79.7 percent of the rural Peruvian population was below the rural poverty line of a monthly per capita budget of 7,910 intis[8] in second half of the year 1988 prices and 38.4 percent of the urban population was below the urban poverty line of a monthly per capita budget of 11,741 intis in second half of the year 1988 prices, with a national poverty rate of 52.9 percent; for 1986, 72.1 percent of the rural population was below the same rural poverty line and 52.3 percent of the urban population was below the same urban poverty line, with a national poverty rate of 59.9 percent.[9]

---

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 65-66.

[8] The following currency changes have occurred since the estimate was made: in 1985, 1 inti =1,000 soles and in 1991, 1 nuevo sol = 1,000,000 intis.

[9] The estimates are referenced as originating from the Economic Commission for Latin America and the Caribbean (ECLAC), *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115; 116. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimum food basket. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

- for 1985, 15.3 percent of the Peruvian population was below the poverty line of US$31 per capita per month, in 1985 purchasing power parity adjusted US$ (113 intis).[10]

The World Bank reports[11] that, in 1997, 49.0 percent of Peru's population was below the country-specific poverty line, with 40.4 percent of the urban population and 64.7 percent of the rural population living below the poverty line; corresponding figures for 1994 are 53.5, 46.1, and 67.0 percent, respectively.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Peru meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is generally considered to be inadequate to provide a decent standard of living for a worker and family. According to some estimates, as much as half the workforce earns the minimum wage or below.[12] The U.S. Embassy did not identify any studies on the issue of a living wage in Peru.

[10] The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), p. 55. The data used for the study are from the World Bank, Peru Living Standards Measurement Survey 1985-86. An absolute poverty line is defined as the expenditure level below which basic needs cannot be satisfied. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 162.

[11] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

[12] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 761.

PHILIPPINES[1]

MINIMUM WAGE

The Wage Rationalization Act of 1988 gives authority to tripartite (government, industry, and labor) regional wage boards to set minimum wages. Regional wage board orders cover all private sector workers except domestic helpers and those employed in the personal services of another. Boards outside the metropolitan Manila area have exempted some employers because of factors such as establishment size, industry sector, involvement with exports, financial distress, and level of capitalization.[2] Although there are many exemptions from minimum wage rules, the large Philippine garment factories in the export sector generally meet the legal minimum wage requirements; however, there is widespread non-compliance in the informal sector.

Minimum wages were last adjusted on a regional basis in late 1997 and early 1998. The wage board in Manila set the daily minimum at 198 pesos (P)—about 5.00 U.S. dollars (US$)—in January 1998.[3]

The standard legal workweek is 48 hours for most categories of industrial workers and 40 hours for government workers, with an 8 hour per day limit. The law mandates a full day of rest weekly. However, there is no legal limit on the number of overtime hours an employer may require. An overtime rate of 125 percent of the hourly wage rate is mandated on ordinary workdays and 130 percent on rest days and holidays.[4]

PREVAILING OR AVERAGE WAGE

The garment industry's prevailing wage rate is roughly the same as the minimum wage. The abundant pool of semi-skilled garment workers in Manila and other areas allows industry to pay a low prevailing wage, which is sometimes below the minimum.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in the Philippines for all employees in the manufacturing

---

[1] Unless noted otherwise, information presented here is from American Embassy—Manila, unclassified telegram No. 2512 (February 19, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1047.

[3] Daily minimum wage rates set by the Manila wage board (National Capital Region) since 1990 are as follows: P118 in 1990, P145 in 1993, P165 in 1996, and P185 in 1997. See U.S. Department of State, *Country Reports on Human Rights Practices* (Washington: U.S. Government Printing Office), various years (1993, p. 724; 1995, p. 708; 1996, p. 763; and 1997, p. 890).

[4] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1047.

sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[5] Average hours worked per week by all employees were 44.4 in total manufacturing for the years 1990 through 1997, and 48.9 for production workers in apparel and 46.6 for production workers in footwear for the years 1990 through 1993.[6] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (P; 1990=100)		
	(P)	(US$)	(P)	(US$)	(P)	(US$)	Manuf.	Apparel	Footwear
1990	4,263	175	3,098	127	1,780	73	100	100	100
1991	4,831	176	3,513	128	2,066	75	95	95	97
1992	5,386	211	4,005	157	2,371	93	98	100	103
1993	5,584	206	3,910	144	2,591	96	94	91	105
1994	6,272	237	4,332	164	3,229	122	97	92	120
1995	6,654	259	4,692	182	3,505	136	95	92	120
1996	na	na	na	na	na	na	na	na	na
1997	na	na	na	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 914.

NON-WAGE BENEFITS

Philippine garment workers do not receive any non-wage benefits or tax credits specific to their industry. However, many are eligible for benefits under the Social Security System (SSS), which is supported by firms' and employees' legally required contributions. The SSS administers loan programs to allow workers enrolled in SSS to obtain short-term credit for consumer purchases, loans for education, and loans for purchases of stock in both newly privatized firms and selected "high grade" company shares. (SSS policy seeks that there be broader worker participation in the stock ownership of corporations.) In 1998, the SSS liberalized the terms for its short-term credit loans to assist workers hit by layoffs in the economic crisis.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[6] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 753-754.

A U.S. Social Security Administration survey[7] elaborates on three non-wage benefit programs in which employers in the Philippines must participate on behalf of their employees: (1) old age, disability, and death benefits, begun in 1954, are part of a social insurance program in which the insured person pays 3.33 percent of their wages according to 27 wage classes, the employer pays 4.67 percent of their payroll according to 27 wage classes, and the government pays any deficit; (2) sickness and maternity benefits, begun in 1954, are also part of the social insurance program and employees pay for sickness according to pension contributions above and contribute nothing for maternity benefits, employers pay according to pension contributions above and 0.4 percent of payroll for maternity benefits according to 27 wage classes, and the government covers any deficit; and (3) work injury benefits, begun in 1974, which are financed entirely by employers who pay 1 percent of payroll according to 10 wage classes.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Philippine National Statistical Coordination Board (NSCB) calculates a "poverty threshold" which is equal to a "food threshold" (2,000 calories per person per day) plus the cost of key non-food requirements.[8] It distinguishes between the poverty threshold figure and that set for the "core poor," who cannot meet the cost of even basic food requirements. The NSCB set the most recent annual per capita poverty threshold in 1997 at P11,388 (about US$315); the food (subsistence) threshold was set at P7,724 (about US$214). In 1997, 32.1 percent of all Philippine families (18.5 percent of urban families and 44.4 percent of rural families) had annual per capita income below the annual per capita poverty threshold; 16.5 percent of all Philippine families (7.2 percent of all urban families and 24.8 percent of all rural families) had annual per capita income below the annual per capita food (subsistence) threshold.[9]

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports several measures of a national poverty line for the Philippines:

! For 1985, 59.4 percent of the rural and 45.2 percent of the urban Philippine households were below the official poverty line (constant real poverty line established by the government), with a national poverty rate of 53.9 percent of all households;

---

[7] Social Security Administration, *Social Security Programs Throughout the World-1997* (Washington: U.S. Government Printing Office, August 1997), pp. 283-285.

[8] Under the new methodology adopted in 1992, certain non-food requirements for items not considered basic (e.g., alcohol beverages, tobacco, recreation, durable furniture and equipment, and miscellaneous expenditures) were excluded.

[9] Tables of poverty and food thresholds for 1994 and 1997 were provided to the U.S. Embassy by the National Statistical Coordination Board. See also, National Statistical Coordination Board (NSCB), *Philippine Poverty Statistics* (Makati City: NSCB, December 1996) for poverty and food thresholds for the years 1985, 1988, 1991, and 1994 based on the new methodology adopted in 1992.

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 41-42.

for 1991, 52.4 percent of the rural and 36.7 percent of the urban households were below the official poverty line, with a nation poverty rate of 44.6 percent of all families.[11]

! For 1985, 33.7 percent of the Philippine population was below the poverty line of US$31 per capita per month in 1985 purchasing power parity adjusted US$ (or P215).[12]

The World Bank reports[13] that, in 1997, 37.5 percent of the Philippine population was below the country-specific national poverty line, with 22.5 percent of the urban population and 51.2 percent of the rural population living below the poverty line; corresponding figures reported for 1994 are 40.6, 28.0, and 53.1 percent, respectively. The same source also reports that, in 1994, 62.8 percent of the Philippine population was below the international poverty line of US$2 per person per day and 26.9 percent was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in the Philippines meet workers' basic needs. More general information from

---

[11] The estimates are referenced as originating from Arsenio M. Balisacan, "Urban Poverty in the Philippines: Nature, Causes and Policy Measures," *Asian Development Review*, Vol. 12, No. 1(1994), pp.117-152. The study uses the poverty lines for 1988 which were estimated by the National Statistical Coordination Board's Technical Working Group on Poverty Determination. The poverty lines are based on food and non-food components. The food component is based on evaluations of low-cost menus by region and area that meet 100 percent of the recommended daily allowance for energy (2,000 kcal) and 80 percent adequacy for other nutrients. The non-food component is based on estimates of non-food needs using the consumption pattern of a sample of families from the Family Income and Expenditure Surveys whose incomes fall within 10 percentage points above or below the food threshold. The (food plus non-food) poverty line is the food threshold divided by the proportion of food to total expenditures for these sample families. The poverty lines are held fixed in real terms. This method is similar to that used in the official measure of poverty in the United States. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 153.

[12] The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), pp. 56-59. The study used family income and expenditure survey data from the National Census and Statistical Office. Since the survey data did not report family size by income group, an average size of 5.49 was used. An absolute poverty line, defined as an expenditure level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the Indian poverty line for rural areas which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US$31 after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth*, Series 34, No. 1 (March 1988), pp. 1-25. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 153.

[13] World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

the U.S. Embassy indicates that the 1987 Philippine Constitution enunciates that workers have the right to a "living wage." However, the definition of a "living wage" concept has often been the subject of debate—especially if proponents of raising the legal minimum wage use a "living wage" target level as the basis for arguing for higher wages.[14]

The DOLE's National Wages and Productivity Commission has defined a living wage as:[15]

> the amount of family income needed to provide for the family's food and non-food expenditures with sufficient allowance for savings/investments for social security so as to enable the family to live and maintain a decent standard of human existence beyond here subsistence level, taking into account all of the family's physiological, social and other needs.

To evaluate family costs in its study, the DOLE used a 1994 Family Income and Expenditure Survey by the National Statistics Office. The family costs are computed in three categories: food, non-food, and "other" expenditures. As "non-food" items, the study included expenditures for transportation, education, and medical care. In the last "other" category, the DOLE study calculated the need for an additional 10 percent in income for expenditures for savings, taxes, real property, and purchase of durable goods. DOLE found this was the consistent average expenditure for these categories in the two family income surveys available (1988 and 1994). The 1999 DOLE study found a correlation between poverty threshold and the higher living wage levels.[16] Based on this, DOLE proposes to use surveys for fixing the poverty threshold as a basis for also calculating living wages, thus saving the expense of an additional survey.

The current minimum wage has fallen well behind the rate for a daily living wage, which was calculated by the Department of Labor and Employment (DOLE) at about P356 pesos (about US$9.00) for a family of six. Data in the 1999 DOLE study on the living wage indicated that families require more than one minimum wage earner (more than two in some regions) for their households to earn a living wage.

---

[14] In a round table discussion held in February 1998 to review the proposed living wage methodology, Dr. Arsenio Balisacan, a technical discussant from the University of the Philippines, recognized the difficulty in determining the non-food basket, but opined that the proposed living wage measure does not capture the labor market, wage utility processes, and the supply and demand of labor. He recommended that in making the notion of a living wage operational that it be depoliticized and considered as an aspiration wage. See National Statistical Office (NSO) and Statistical Research and Training Center (SRTC) under the auspices of the National Wages and Productivity Commission, *Development of Methodology for Estimating Living Wage: Final Report* (Manila: Department of Labor and Employment, 1999), p. 3.

[15] National Statistical Office (NSO) and Statistical Research and Training Center (SRTC) under the auspices of the National Wages and Productivity Commission, *Development of Methodology for Estimating Living Wage: Final Report* (Manila: Department of Labor and Employment, 1999), p. 4.

[16] See National Statistical Office (NSO) and Statistical Research and Training Center (SRTC) under the auspices of the National Wages and Productivity Commission, *Development of Methodology for Estimating Living Wage: Final Report* (Manila: Department of Labor and Employment, 1999).

The U.S. Embassy provided the U.S. Department of Labor with the 1999 DOLE study on the living wage (and an NGO commentary on the living wage). In addition, the U.S. Embassy provided the U.S. Department of Labor with materials on minimum wage adjustment procedures, the availability of low-wage benefits, and the calculation of the poverty line.

SINGAPORE[1]

MINIMUM WAGE

There is no minimum wage in Singapore. The Employment Act sets the standard legal workweek at 44 hours and provides for one rest day each week.[2]

PREVAILING OR AVERAGE WAGE

The data in the table below are from the *Report on Wages in Singapore* published annually by the Ministry of Manpower and present estimates of the mean and median monthly gross wages of production workers (as separate from managerial and professional staff) in the manufacturing sector and, more specifically, in the textile and wearing apparel (including footwear) industry in Singapore.[3] "Monthly gross wage" refers to all remuneration received by an employee before deductions of the employee's own mandatory pension fund contributions (20 percent of gross wages and bonuses) and personal income tax. It includes overtime payments, commissions, allowances (e.g., shift, food, housing, and transport), service points, and other regular cash payments. It excludes the employer's mandatory contribution to the employee's pension fund (currently 10 percent of employee's gross wages and bonuses) and productivity or incentive bonuses that normally amount to 1-2 months pay. The Singapore dollar (S$) figures were converted to U.S. dollars (US$) based on average annual foreign exchange rates for the respective years provided by the Monetary Authority of Singapore.

Average and Median Monthly Gross Wages of Production Workers in Manufacturing and the Wearing Apparel and Footwear Industry

Year	Manufacturing				Wearing Apparel and Footwear			
	Average		Median		Average		Median	
	S$	US$	S$	US$	S$	US$	S$	US$
1994	1,288	843	1,070	701	952	623	860	563
1995	1,351	953	1,123	792	1,027	725	915	646
1996	1,454	1,031	1,231	873	1,129	801	1,000	709
1997	1,519	1,023	1,261	849	1,161	782	1,066	718
1998	1,555	929	1,313	785	1,367	817	1,267	757

Source: *Report on Wages in Singapore, 1994-98* (Manpower Research and Statistics Department, Ministry of Manpower, Singapore).

The table below presents available data from the International Labor Organization (ILO) on average

[1] Unless noted otherwise, information presented here is from American Embassy—Singapore, unclassified telegram No. 551 (February 26, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1064.

[3] Provided by the U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (November 29, 1999).

monthly earnings (direct wages per worker) in Singapore for all employees in the manufacturing sector and in the combined textile, apparel, and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[4] Average hours worked per week by all employees were 49.1 in all manufacturing and 48.1 in the combined textile, apparel, and footwear industries for the years 1990 through 1997.[5] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing and Textiles, Apparel, and Footwear

Year	All Manufacturing		Textiles, Apparel, and Footwear		Real Earnings Index (S$; 1990=100)	
	(S$)	(US$)	(S$)	(US$)	Manuf.	Textiles, Apparel, and Footwear
1990	1,395.0	770	861.0	475	100	100
1991	1,551.8	898	953.7	552	108	107
1992	1,686.2	1,035	1,021.3	627	114	112
1993	1,817.8	1,125	1,064.8	659	120	114
1994	1,995.3	1,306	1,162.8	761	128	121
1995	2,157.3	1,522	1,241.8	876	136	127
1996	2,319.5	1,645	1,367.4	970	145	138
1997	2,486.7	1,675	1,477.3	995	152	146

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 915.

NON-WAGE BENEFITS

According to the U.S. Department of State,[6] the primary government-mandated non-wage benefit for all employees in Singapore is the employer's contribution to the pension fund (Central Provident Fund or CPF) account for each of their employees. This applies to workers in all industries, including those in the textile and wearing apparel industry. The current mandated employer contribution is to the CPF is set at 10 percent of the employee's gross wages and bonuses. The government has reduced this amount from 20 percent to 10 percent starting January 1999 as part of its business cost reduction measures in response to the recent regional economic crisis. It has announced, however, that this amount will be increased to 12 percent starting in April 2000, and should be restored to the 20 percent level by 2003.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 734.

[6] U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (November 29, 1999).

Although the employer's annual contribution to the employee's CPF account is classified here as a non-wage benefit, CPF regulations permit the employee to use funds in the account for a wide variety of purposes, including housing, approved investments, insurance, and education. Of the total contribution of 30 percent (combining employer and employee shares), six percentage points are allocated to a Medisave account to meet hospitalization and medical expenses, and to buy catastrophic illness insurance for the employee and his/her immediate family. Apart from this, the government subsidizes certain classes of hospital wards, which are accessible to workers. Employers are liable for up to four weeks before and after birth in terms of maternity benefits, and pay the entire cost of a compulsory liability program for their employees in cases of work injuries, as required by the Workmen's Compensation Act.

A U.S. Social Security Administration survey[7] elaborates on three non-wage benefits programs which employers in Singapore contribute for their employees: (1) old age, disability, and death benefits, begun in 1953, is a provident fund into which employees pay 20 percent of their wages if earning more than S$200 a month, employers pay 20 percent of employee wage earnings if over S$50 a month, and the government pays nothing;[8] (2) sickness and maternity benefits, begun in 1968, for medical care, the insured person pays 3-4 percent of their monthly salary, the employer pays 3-4 percent of payroll, and the government pays no fixed amount since workers are subsidized when using certain classes of hospital wards and, for maternity benefits, the employer is liable for up to 4 weeks before birth and 4 weeks after birth; and (3) work injury benefits, begun in 1929, which is a compulsory employer liability program into which the employer pays the entire cost.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Singapore government has not made available any information regarding its determination of a poverty line for the country. According to the U.S. Department of State,[9] applying a frequently used poverty line set at 30 percent of mean income, it would appear that approximately 14 percent of the local working population fell at or below the poverty line in 1998, that is, with gross monthly wages below S$765 or US$458. This group consists primarily of foreign migrant workers in the domestic help and construction industry, whose basic housing and work-related transportation needs are provided by their employers.

---

[7] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 318-319.

[8] Contributions are lower if employees are over the age of 55.

[9] U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (November 29, 1999).

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports that, for 1982, 10 percent of Singapore's population was below the poverty line of US$860 per capita per month in 1985 purchasing power parity adjusted US$.[11]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Singapore meet workers' basic needs. However, given the above approximation of the poverty line suggested by the U.S. Department of State, it would appear that the wage and non-wage benefits of production workers in textile and wearing apparel industry in Singapore are adequate to meet their basic living needs.[12] The U.S. Embassy was not able to identify any studies on the living wage in Singapore.

---

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 42.

[11] The estimate is referenced as originating from the World Bank, *World Development Report 1990* (New York: Oxford University Press, 1990), p. 41. The estimates for individual countries in this source rely on country-specific poverty lines. Official or commonly used poverty lines have been used when available; in other cases, the poverty line has been set at 30 percent of mean income or expenditure. No further information on the estimate for Singapore is provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[12] U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (November 29, 1999).

SOUTH KOREA[1]

MINIMUM WAGE

A minimum wage law was implemented in 1988; companies with fewer than 10 employees are exempt from this law.[2] Each year, at the request of the Labor Minister, the Minimum Wage Council submits a minimum wage proposal based on workers' living costs and labor productivity. The Labor Minister makes a final decision on the minimum wage and the new level is applied the next year.[3] As of September 1998, the national minimum wage was raised to its current rate of W1,525 (US$1.27) per hour.

Amendments to the Labor Standards Law passed in 1989 brought the maximum regular workweek to 44 hours, with provision for overtime to be compensated at a higher wage; the law also provides for a 24-hour rest period each week.[4] Labor laws were revised in 1997 to establish a flexible hours system in which employers could require employees to work up to 48 hours during some weeks without paying overtime as long as the average weekly hours for two-weeks did not exceed 44; with union permission, management could ask employees to work up to 56 hours in a given week. The legislation established a daily cap on the working day of 12 hours.

PREVAILING OR AVERAGE WAGE

The prevailing wage in the footwear industry is W1,118,027 per month (US$932), and the prevailing wage in the apparel industry is W872,349 per month (US$727).

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Korea for all employees in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses,

---

[1] Unless noted otherwise, information presented here is from American Embassy—Seoul, unclassified telegram No. 1260 (March 2, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 971.

[3] For more information on the minimum wage in South Korea, see International Labour Organization (ILO), "Minimum Wage Fixing in South Korea," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 4(rev) (Geneva: International Labour Office, 1997), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/korea3.htm>.

[4] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 971.

and other benefits paid directly to the employee, but not the cost of social insurance programs.[5] Average hours worked per week by all employees were 48.9 in all manufacturing, 49.2 in apparel, and 51.1 in footwear for the years 1990 through 1997.[6] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (W; 1990=100)		
	(W)	(US$)	(W)	(US$)	(W)	(US$)	Manuf.	Apparel	Footwear
1990	590,800	834.7	383,100	541.3	394,800	557.8	100	100	100
1991	690,300	941.3	447,500	610.2	462,300	630.4	107	107	107
1992	798,600	1,022.9	536,700	687.5	532,600	682.3	116	121	116
1993	885,400	1,103.1	582,800	726.1	626,400*	780.4	123	125	130
1994	1,022,500	1,272.6	690,100	858.9	688,500	856.9	134	139	135
1995	1,123,900	1,457.2	762,100	988.1	763,800	990.3	141	147	143
1996	1,261,200	1,567.8	852,500	1,059.7	871,200	1,083.0	151	157	156
1997	1,326,200	1,394.1	892,400	938.1	952,900	1,001.7	152	157	163

Note: * denotes a break in series due to a change in classification; beginning in 1993, includes other leather products.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 908.

NON-WAGE BENEFITS

The government offers no industry-specific tax credits. However, workers whose income is below W1,000,000 per month (US$833) do not pay taxes on overtime, night, holiday, and weekend income. Individual firms offer non-wage benefits such as extra pay for overseas work, accident compensation, and subsidies for school expenses.

A U.S. Social Security Administration survey[7] elaborates on three non-wage benefits programs into which employers contribute for their employees: (1) old age, disability, and death benefits, a social insurance program begun in 1973, in which the insured pays 3 percent of their earnings, employers pay 6 percent of employee earnings, and the government pays part of the administrative program costs; (2) medical and sickness benefits, begun in 1963, in which the insured person and the employer each pay 1-4 percent of their wages (averaging 1.52 percent) and the government pays a portion of the administrative costs; and (3) work injury benefits, a compulsory insurance program begun in 1953,

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[6] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 734.

[7] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 207-208.

in which employers pay 0.6 to 29.9 percent of payroll according to risk (averaging 1.6 percent) and the government pays the cost of administration.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The government uses a market basket to determine the poverty line. This includes expenses related to food, housing, health and medical care, culture and recreation, clothing and footwear, commuting, utilities, and furniture. The Minister of Health and Welfare announces the poverty line every December, based on inflation and the results of a market basket survey carried out every five years. The most recent survey was in 1994. The poverty line for 1998, based on the 1994 survey and subsequent increases in the cost of living, was W218,000 per month (US$182).

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[8] several measures of a national poverty line for Korea:

! For 1978, 11 percent of the rural Korean population was below the rural poverty line (annual per capita income of US$270) and 18 percent of the urban Korean population was below the urban poverty line (annual per capita income of US$320), with a national poverty rate of 16 percent.[9]

! For 1980, 9.0 percent of the rural and 10.4 percent of the urban Korean population were below the poverty line (W121,000 per month per 5-member family household in 1981 prices), with a national poverty rate of 9.8 percent;

  for 1984, 4.4 percent of the rural and 4.6 percent of the urban Korean population were below the same poverty line, with a national poverty rate of 4.5 percent.[10]

---

[8] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 36.

[9] The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

[10] The estimates are referenced as originating from Sang Mok Suh, *Economic Growth and Changes in Income Distribution: The Korean Case*, Working Paper No. 8508 (Seoul: Korea Development Institute, 1985) and Sang Mok Suh and H.C. Yeon, *Social Welfare During the Structural Adjustment Period in Korea*, Working Paper No. 8604 (Seoul: Korea Development Institute, 1986). The food cost portion of the poverty line is first estimated for a household of five members (a couple with three children) for 1973 by: (a) constructing a "standard" household based

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in South Korea meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the Federation of Korean Trade Unions (FKTU) and other labor unions assert that the current minimum wage does not meet the basic requirements of urban workers. In fact, a worker earning minimum wage would have difficulty in providing a decent standard of living for himself and his family, despite the fringe benefits, such as transportation expenses, with which companies normally supplement salaries. However, the money an average blue-collar worker takes home in overtime and bonuses significantly raises the total compensation package.[11] The U.S. Embassy was not aware of any studies on the living wage in Korea.

---

on results from the 1975 Population and Housing Census; (b) estimating the energy level required for normal daily activities by members of the standard household (2,100 kilocalories per person); (c) calculating the quantities of food required to meet the estimated energy level, based on actual food consumption patterns of "poor" households; and (d) estimating the minimum food expenditures for urban and rural areas using the results of (c) and appropriate retail prices. Minimum non-food expenditures are estimated by: (a) dividing consumption expenditures into 5 categories (food, housing, light and fuel, clothing, and "others"); (b) estimating the Engel curve for each consumption category; (c) deriving the income required to consume the food minimum, based on the estimated Engel curve for food and the minimum food expenditure estimated above; (d) applying this income to each Engel curve to obtain the "minimum" expenditure for each consumption category; and (e) adding up the minimum expenditures over the categories to calculate the 1973 poverty line. Deflators for private consumption in the national accounts are used to estimate poverty lines for other years. Poverty lines for households of different sizes are calculated on the basis of adjustment factors from Statistics Canada. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 150.

[11] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 971.

SPAIN[1]

MINIMUM WAGE

In December of each year, the Spanish Legislature fixes the minimum wage for the following calendar year. When formulating the minimum wage, the government takes into account the consumer price index, the median level of national productivity, the increase of labor's participation in the national income, and general economic conditions. Maintaining a low inflation rate and promoting job growth are two important considerations.

For calendar year 1999, the minimum wage for all workers,[2] whether in the agricultural, industrial, or service sector, is 2,309 pesetas (Ptas) per day, or about 15.92 U.S. dollars (US$) per day, or Ptas69,270 (US$477.72) per month. The law stipulates that a minimum amount of additional monetary compensation—in the form of a bonus in July and December, each equal to a month's pay—be included when calculating the annual minimum salary which is Ptas969,780 (US$6,688 per year). The law sets a 40-hour workweek with an unbroken rest period of 36 hours after each 40 hours worked.[3] The table on the next page presents the daily minimum wage rates for workers 18 and older since 1990.

For professional temporary activities not exceeding 120 days, the minimum daily salary is Ptas3,283 (US$22.64 per day), and for domestic or temporary workers the hourly wage is Ptas538 (US$3.71 per hour).

---

[1]Unless noted otherwise, information presented here is from American Embassy—Madrid, unclassified telegram No. 1895 (February 24, 1999).

[2] Prior to 1998, there was a lower minimum wage for workers 16-17 years of age. For example, in 1997, the minimum wage for workers 16-17 years old was Ptas1,971 per day; for workers 18 and older, the minimum wage was Ptas2,221 a day. The minimum wage for domestic employees 16-17 years of age was Ptas459 per hour; for domestic employees 18 and over, the minimum wage was Ptas517 per hour. See U.S. Department of State, *Country Reports on Human Rights Practices for 1997* (Washington, D.C., March 1998) p. 1307. In 1998, the youth minimum wage was eliminated by Royal Decree 2817/98.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1520.

Daily Minimum Wage Rates for Workers 18 and Over, 1984-1999

Effective Date	Ptas	US$
March 1990	1,667	16.35
January 1991	1,775	17.08
January 1992	1,876	18.32
January 1993	1,951	15.33
January 1994	2,019	15.07
January 1995	2,090	16.76
January 1996	2,164	17.09
January 1997	2,221	15.17
January 1998	2,268	15.18
January 1999	2,309	15.92

Source: American Embassy-Madrid, *Foreign Labor Trends: Spain, 1993-1994* (Washington: U.S. Department of Labor, Bureau of International Labor Affairs, 1995), p. 6, and U.S. Department of State, *Country Reports on Human Rights Practices: Spain* (Washington: U.S. Government Printing Office, various years), section 6.e

PREVAILING OR AVERAGE WAGE

The median monthly wage for the industrial manufacturing sector in the first three quarters of 1998 was Ptas225,808 per month (US$l,486 per month or US$17,832 per year). The average hourly wage in the manufacturing sector for this same time period was Ptasl,551 (US$10.20 per hour). Moreover, the median monthly income in the apparel industry for the first three quarters of 1998 was Ptas232,367 (US$1,529 per month or US$18,348 per year). These average monthly and hourly incomes for the apparel industry include both blue and white collar workers.

The table below presents available data from the International Labor Organization (ILO) on average hourly earnings (direct wages per worker) in Spain for all employees in the manufacturing sector and in the apparel and leather footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[4] Average hours worked per week by all employees were 36.7 in all manufacturing, 35.6 in apparel, and 36.5 in footwear and leather goods for the years 1990 through 1997.[5] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 764.

Average Hourly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing (Ptas)	All Manufacturing (US$)	Apparel (Ptas)	Apparel (US$)	Footwear (Ptas)	Footwear (US$)	Real Earnings Index (Ptas; 1990=100) Manuf.	Apparel	Footwear
1990	902	8.85	551	5.41	612	6.00	100	100	100
1991	994	9.57	636	6.12	671	6.46	104	109	104
1992	1,080	10.55	680	6.64	710	6.93	107	110	103
1993	1,159	9.11	716	5.63	762	5.99	110	111	106
1994	1,221	9.11	749	5.59	762	5.69	110	111	101
1995	1,263	10.13	794	6.37	796	6.38	109	112	101
1996	1,311	10.35	843	6.66	907*	7.16	109	115	111
1997	1,372	9.37	903	6.17	932	6.37	112	121	112

Note: * indicatesa break in series due to a change in classificaton; beginning 1996, includes other leather products.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 930.

NON-WAGE BENEFITS

There are two basic employee benefits mandated by Spanish law. Spanish firms are required to pay a percentage of the social security tax for each employee. Each employee must also contribute a percentage. The other government-mandated benefit (which is in the form of monetary compensation) is a pair of yearly bonuses each equal to a month's pay. Thus, when calculating annual income, a worker's actual monthly pay should be multiplied by fourteen, not twelve. The statistics for monthly income in the section on the prevailing wage include these bonuses.

A U.S. Social Security Administration survey[6] elaborates on five non-wage benefit programs that employers in Spain make contributions on behalf of their employees: (1) old age, disability, and death benefits, first established in 1919, in which employees pay 4.7 percent of covered earnings based on wage classes according to 11 occupational classes, employers pay 23.6 percent of employee earnings according to 11 occupational classes, and the government pays an annual subsidy; (2) sickness (created in 1942) and maternity (created in 1929) insurance is part of the social insurance system and the contributions are included in the old age, disability, death benefits contributions above; (3) work injury benefits, begun in 1900, are entirely financed by the employer who pays 0.81 to 16.2 percent of payroll according to risk (the average rate is 1.98 percent); (4) unemployment benefits, begun in 1919, in which the employee pays 1.6 percent of covered earnings according to 11 occupational classes, the employer pays 6.2 percent of payroll according to 11 occupational classes, and the government provides variable subsidies; (5) income-tested family allowance benefits for disability are covered under the old age, disability, and death benefits insurance and the government pays for non-contributory pensions from general revenues.

ASSESSING BASIC NEEDS: THE POVERTY LINE

In Spain there is no official measure of a poverty line or its equivalent.

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 330-332.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports for 1988 that 20.8 percent of the Spanish population was below the poverty line of 50 percent of national mean equivalent expenditure.[8] A more recent study, using a slightly different definition, reported for 1980 that 12.2 percent and for 1990 that 10.4 percent of the Spanish population was below the poverty line of 50 percent of median disposable income.[9]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Spain meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the legal minimum wage is considered sufficient to provide a decent standard of living for a worker and family. The rate is revised every year in line with the consumer price index and is enforced effectively by the Ministry of Labor and Social Affairs.[10] The U.S. Embassy did not provide any information on the living wage.

---

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 76.

[8] The estimate is referenced as originating from Eurostat, *Poverty Statistics in the Late 1980s: Research Based on Micro-Data* (Luxembourg: Office for Official Publications of the European Communities, 1994), p. 414. The study was conducted for Eurostat by Aldi J.M. Hagenaars, Klass de Vos, and M. Asghar Zaidi and was based on the Survey of Family Consumption (ISTAT). The study uses household expenditure per adult equivalent (OECD equivalence scales) with the poverty line set at 50 percent of the mean of this variable. Equivalence scales were used to compensate for differences due to family size. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[9] Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from LIS*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997), Appendix Table A-4.

[10] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1520.

SRI LANKA[1]

MINIMUM WAGE

In Sri Lanka, there is no national minimum wage. The Wages Board Ordinance regulates wages and other emoluments for persons employed in 39 different trades and sectors. The current minimum wages for the garment manufacturing trade, last increased in April 1998, are: 2,000 rupees (SLRs)—about 29.00 U.S. dollars[2] (US$)—per month for trainees and helpers (for 156 days only, after which such employees are expected to be promoted to the next category); SLRs2,525 (US$36.60) per month for unskilled workers (first year); and SLRs2,575 (US$37.30) per month for sewing machine operators and iron operators (first year). The minimum wage in the footwear industry is SLRs1,500 (US$21.70) per month for trainees and ranges between SLRs2,000 (US$29.00) and SLRs2,050 (US$29.70) per month for workers (depending on skill and seniority). In addition, the Board of Investment, in consultation with industry associations, dictates minimum wage levels for factories located in the two major export processing zones as follows: SLRs2,750 (US$39.90) per month for trainees; SLRs2,850 (US$41.30) per month for unskilled workers; and SLRs3,000 (US$43.50) per month for skilled workers.

Most permanent full-time workers are covered by laws that prohibit them from working regularly more than 45 hours per week (a 5½ day workweek).[3]

The following table, based on data supplied to the U.S. Embassy by the Statistics Department of the Sri Lankan Labor Ministry and reported in the annual *Country Reports on Human Rights Practices* published by the U.S. Department of State, summarizes the average minimum wage rates (in rupees and U.S. dollars at current exchange rates) by economic sector since 1994:

Year	**Agriculture** (per day)		**Industry, Commerce, and Services** (per month)		**Garments** (per month)	
	SLRs	US$	SLRs	US$	SLRs	US$
1994	72	1.50	1,550	32.00 [Industry&Commerce]	2,000	41.00
			1,450	30.00 [Services]		
1995	75	1.50	2,000	40.00	2,000	40.00
1996	75	1.40	2,000	36.00	2,000	36.00
1997	75	1.27	2,000	34.00	2,000	34.00
1998	95	1.44	2,000	34.00	2,500	38.00
1999	95	1.40	2,000	29.00	2,500	36.20

PREVAILING OR AVERAGE WAGE

[1] Unless noted otherwise, information presented here is from American Embassy—Colombo, unclassified telegram No. 548 (February 26, 1999).

[2] At the exchange rate of one U.S. dollar to 69 rupees in late February 1999.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1982.

Although no reliable statistics are available for prevailing wage levels, workers in the garment sector, particularly those working in the export processing zones, receive wages above the minimum wage levels due to labor scarcity.

The table below presents available data from the International Labor Organization (ILO) on average gross hourly earnings in Sri Lanka for wage earners in the manufacturing sector; similar data were not available from the ILO for the apparel and footwear industries. The earnings data include pay for time worked, overtime, and paid leave, but not bonuses or employer costs of social insurance programs and other benefits paid directly to the employee.[4] Average weekly hours paid for wage earners in manufacturing were 51.1 for the years 1990 through 1997.[5] Comparable data for weekly hours worked in the apparel and footwear industries were not available from the ILO. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Hourly Earnings in All Manufacturing

Year	All Manufacturing (SLRs)	(US$)	Real Earnings Index (SLRs; 1990=100) Manufacturing
1990	9.49	0.24	100
1991	11.20	0.27	105
1992	11.83	0.27	100
1993	13.65	0.28	103
1994	15.08	0.31	105
1995	16.52	0.32	107
1996	17.90	0.32	100
1997	18.15	0.31	92

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 916.

NON-WAGE BENEFITS

The government requires employers to contribute to retirement plans (the employees' provident fund and the employees' trust fund). Garment factories set up under the "200 Garment Factories Program" in the early 1990s are required by the government to provide free breakfast to employees.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 756.

A U.S. Social Security Administration survey[6] elaborates on several non-wage benefit programs which employers in Sri Lanka must participate in on behalf of their employees: (1) old age, disability, and death benefits are provided through a provident fund system, begun in 1958, into which the employee pay 8 percent of their wages and the employers pay 12 percent of their payroll; (2) sickness and maternity benefits are available to all with medical care being available free of charge in government health centers and hospitals and women in certain sectors being entitled to paid maternity leave; (3) work injury benefits, begun in 1934, are financed entirely by employers at rates ranging from 1 to 7.5 percent of payroll according to risk; (4) unemployment insurance, begun in 1990, is being implemented in stages with the government paying the entire cost; and (5) family allowance program, begun in 1990, is also being implemented in stages with the government paying the entire cost.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There is no officially accepted or defined poverty line. A World Bank consultant economist in a recent study on poverty in Sri Lanka used two poverty thresholds. The lower poverty line (SLRs717.09 per person per month), called the "reference poverty line," was connected with minimum consumption (of essential nutrition, clothing, and shelter) needs. The higher poverty line (SLRs860.51 per person per month) denotes the minimum consumption level necessary to have a standard of living that includes small amounts of discretionary spending for transport, communications, and health services. These amounts are based on consumption data from 1995-96 (the most recent available); in recent years, the annual rate of inflation has been 15.9 percent (1996), 9.6 percent (1997) and 9.4 percent (1998). For purposes of its "samurdhi" social welfare scheme, the government defines the qualifying threshold as SLRs1,000 per family per month (family size is not defined)—the government provides SLRs500 to qualifying families to raise the income level to SLRs1,500 per month.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[7] reports several measures of a poverty line for Sri Lanka:

- For 1978/79, 22.7 percent of the rural and 16.0 percent of the urban Sri Lankan population were below the poverty line (food expenditures of SLRs70 per capita per month in 1978/79 prices), with a national poverty rate of 19.5 percent;

  for 1986/87, 32.4 percent of the rural and 12.3 percent of the urban population were below the same poverty line, with a national poverty rate of 27.4 percent.[8]

---

[6] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 333-334.

[7] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 43-44.

[8] The estimates are referenced as originating from Development Alternatives, Inc., *The Socioeconomic Dimensions of Poverty in Sri Lanka and Policy Implications* (Washington, 1990) and Leslie Gunaratne,

! For 1985, 24.1 percent of the Sri Lankan population was below the poverty line of US$31 per capita per month in 1985 purchasing power parity adjusted US$ (or SLRs155).[9]

The World Bank reports[10] that, in 1990-91, 35.3 percent of the Sri Lankan population was below the country-specific national poverty line, with 28.4 percent of the urban population and 38.1 percent of the rural population living below the poverty line; comparable figures reported for 1985-86 are 40.6, 26.8, and 45.5 percent, respectively. The same source also reports that, in 1990, 41.2 percent of the Sri Lankan population was below the international poverty line of US$2 per person per day and 4.0 percent of the population was below the international poverty line of US$1 per day, both in 1985 purchasing power parity adjusted US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Sri Lanka meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wages are insufficient to provide a decent standard of living for a worker and the standard family of five, but the vast majority of families have more than one breadwinner.[11] The U.S. Embassy did not identify any studies on the living wage in Sri Lanka.

"Measurement of Poverty in Sri Lanka," mimeographed, 1985. The poverty line is defined by a level of all-island per capita monthly food expenditure of SLRs70, which is based on the per capita monthly food expenditure of the bottom 40 percent of households. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 154.

[9] The estimate is referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), pp. 64-67. It is based on data from the *Labor Force Survey 1985/86* conducted by the Department of Census and Statistics. Per capita income levels and distributions were tabulated by the World Bank and converted into expenditures assuming a national savings rate of 12 percent. An absolute poverty line, defined as an expenditure level below which basic needs cannot be satisfied, was arbitrarily set 35 percent higher than the Indian poverty line for rural areas which at that time was considered to be more representative of many developing countries. The poverty line corresponded to US$31 after adjustment for purchasing power parity had been made to the 1985 official exchange rate. The purchasing power parity poverty line was converted into the national currency using estimates from Robert Summers and Alan Heston, "A New Set of International Comparisons of Real Product and Price Levels: Estimates for 130 Countries, 1950-1985," *Review of Income and Wealth,* Series 34, No. 1 (March 1988), pp. 1-25. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 154.

[10] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 197.

[11] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1982.

TAIWAN[1]

MINIMUM WAGE

Following its Labor Standards Law, which covers all salaried employees, Taiwan uses the "basic wage" as the de facto minimum wage. The Basic Wage Review Committee of the Council of Labor Affairs (CLA) sets the "basic wage" level based on several factors. These factors include the state of the economy, the wholesale and retail price index, national income and per capita income levels, labor productivity and employment rates, prevailing wages in various industries, and a statistical survey of household income and expenditure. The CLA submits the Basic Wage Review Committee's conclusions to the Executive Yuan for approval and ratification. Usually, the CLA will invite representatives from both employers and organized labor to discuss the Basic Wage Review Committee's conclusions before forwarding them to the Executive Yuan.

The Executive Yuan has made no basic wage adjustment since 1997. Taiwan's basic wage is 15,840 new Taiwan dollars (NT$) per month, or 500 U.S. dollars (US$). Based on the monthly basic wage rate, the daily basic wage is NT$528 (or US$17), while the basic hourly wage is NT$66 (or US$2). The law limits the workweek to 48 hours (8 hours per day, 6 days per week) and requires 1 day off in every 7 days.[2]

PREVAILING OR AVERAGE WAGE

Due to increasing labor costs, apparel and footwear are no longer major Taiwan exports to the United States. Over the past decade, many of Taiwan's apparel producers and footwear firms have moved their production lines to mainland China and Southeast Asia. Reflecting this shift to off-island manufacturing, the number of workers in the apparel and footwear industries has dropped from 272,804 persons in 1990 to 144,000 in 1997.

For apparel and footwear industries, current prevailing monthly wages average NT$22,932 and NT$26,503, respectively, much lower than general average of NT$33,736 in the manufacturing sector as a whole—based on the most recent data published by the Directorate General of Budget, Accounting and Statistics for August 1999.[3]

---

[1] Unless noted otherwise, information presented here is from American Institute in Taiwan—Taipei, unclassified telegram No. 569 (February 25, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 896.

[3] Data, which were originally provided by AIT—Taipei in February 1999, have been updated with more recent and revised data provided by the U.S. State Department's Taiwan Coordination Staff and reflect data revisions made by Taiwan's Directorate General of Budget and Statistics in May 1999. See U.S. Department of State, Bureau of East Asian and Pacific Affairs, unclassified facsimile (December 1, 1999).

The table below presents data from the U.S. Bureau of Labor Statistics on hourly compensation costs in Taiwan for production workers in the manufacturing sector and the apparel and leather products industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, including the cost of social insurance programs.[4] No data were available for average hours worked per week by production workers in all manufacturing or in the apparel or footwear industries. Current hourly compensation costs, which are reported by the U.S. Bureau of Labor Statistics in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real compensation (i.e., compensation adjusted for inflation), a real compensation index was computed by deflating current compensation in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Hourly Compensation Costs in All Manufacturing, Apparel, and Leather Products

Year	All Manufacturing		Apparel		Leather Products		Real Compensation Index (NT$; 1990=100)		
	(NT$)	(US$)	(NT$)	(US$)	(NT$)	(US$)	Manuf.	Apparel	Leather Products
1990	105.68	3.93	76.42	2.84	85.74	3.18	100	100	100
1991	116.66	4.36	81.94	3.06	91.80	3.43	107	103	103
1992	128.02	5.09	86.39	3.43	97.72	3.88	112	104	105
1993	138.27	5.23	93.96	3.56	111.26	4.21	117	110	116
1994	146.79	5.55	102.11	3.86	118.43	4.47	120	115	119
1995	156.83	5.92	107.60	4.06	125.57	4.74	123	117	122
1996	162.87	5.93	109.82	4.00	132.37	4.82	124	116	125
1997	169.48	5.89	na	na	na	na	na	na	na

Note: na = not available.
Source: U.S. Department of Labor, Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing*, May 1999.

NON-WAGE BENEFITS

Like workers in other industries, workers in the apparel and footwear industry are eligible to receive the following government-mandated non-wage benefits:

- *Labor Insurance Program*: In Taiwan's Labor Insurance Program, workers pay 20 percent of the overall premium. Employers and the government pay 70 percent and 10 percent, respectively. The program provides injury, disability, maternity, unemployment and life insurance coverage for workers. In addition, the program offers a lump-sum payment equal to 45 months insured wage to the employee upon retirement. At present, the premium is set at 6.5 percent of an employee's salary.

- *National Health Insurance Program*: Taiwan initiated its National Health Insurance Program (NHIP) in March 1995. The NHIP premium is set at 4.25 percent of an employee's salary for each family member. The worker's portion of the above premium is 30 percent. Employers and the government pay 60 percent and 10 percent, respectively, of the premium for workers.

[4] U.S. Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers In Manufacturing, 1975-1997* (Washington: U.S. Department of Labor, May 1999).

The program mainly offers medical care to workers and their family members.

- *Labor retirement payments*: In addition to the lump-sum payment (maximum of 45 months' insured wage) to the employee upon retirement offered under the labor insurance program, employers are also required to make a lump-sum retirement payment (maximum of 45 months wage) to an employee upon retirement. This requirement is set out in Taiwan's Labor Standards Law.

- *Tax deductions*: Taiwan's income tax law allows all wage earners to declare an individual deduction on their taxable income. In 1999, the individual deduction for each wage earner was NT$60,000 (or US$1,800).

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line is set at the level of provinces and municipalities each fiscal year. The level of the poverty line is based on the minimal living expenses required for each locality. Since November 1997, the formula used for calculating the minimal level of living expenses has been fixed at 60 percent of average per capita expenditure based on the previous year's economic statistics. According to the Directorate General of Budget, Accounting and Statistics, minimal living expenses per person in fiscal year 1999 are:

- NT$11,625 per month in Taipei City;

- NT$9,152 per month in Kaohsiung City; and

- NT$7,598 per month in the rest of Taiwan.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Taiwan meet workers' basic needs. Some information from U.S. Department of State or American Institute reports indicates more generally that the minimum wage in Taiwan is sufficient in cheaper areas, but is less than what is needed to assure a decent standard of living for a worker and family in metropolitan areas such as Taipei. However, the average manufacturing wage is more than double the legal minimum wage, and the average for service industry employees is even higher.[5] The American Institute in Taiwan reports that there are no studies in English available on the issue of the living wage in Taiwan.

---

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 896.

THAILAND[1]

MINIMUM WAGE

Minimum wage setting process in Thailand is handled through a National Wage Committee, as prescribed by the Labor Protection Act B.L. 2541 (1998). The daily minimum wage is now determined according to region, not by type of industry. The National Wage Committee is a tripartite unit, appointed by the cabinet. The Committee consists of the permanent Secretary of Labor and Social Welfare (chairman), four representatives of the government, five employers' representatives, and five employees' representatives. The law requires that in fixing the minimum wage, the Wage Committee study and consider the impact of the current minimum wage and other factors. These other factors include the consumer price index, inflation rate, standard of living, cost of production, prices of goods, affordability to businesses, quality of work performed by labor, gross domestic products, and economic and social conditions. Under the 1998 Labor Relations Act, after the National Committee sets the minimum wage, tripartite provincial committees can review the wage situations and recommend a higher wage be set for the individual provinces. The Ministry of Labor and Social Welfare relies on the Department of Business Economics, Ministry of Commerce, to calculate all figures and indexes necessary to evaluate decisions on the minimum wage. Wages in the apparel and footwear industries are determined by the minimum wage set for all industries.

The following table presents data on Thai minimum wages since 1993. The rates set in 1998 are still applicable in 1999 as the Wage Committee decided on October 13, 1999 to delay any wage adjustment until Thailand's economic recovery. In August 1998, the government mandated a uniform workweek of 48 hours, with a limit on overtime of 35 hours per week.

Minimum Wage Rates in Thailand, 1993-98
[in baht (B) per day]

Effective date	1993 April 1	1994 Oct 1	1995 July 1	1996 Oct 1	1997	1998 Jan 1
Bangkok and 6 Provinces*	125	135	145	157	157	162
Ranong, Pang-Nga, Chonburi, Saraburi, Nakorn Ratchasima, and Chiangmai	110	118	126	137	137	140
The rest of 63 provinces	102	110	118	128	128	130

Note: * including Samut Prakarn, Nonthaburi, Pathumthani, Nakornpathom, Samut Sakorn, and Phuket.

PREVAILING OR AVERAGE WAGE

[1]Unless noted otherwise, information presented here is from American Embassy—Bangkok, unclassified telegram No. 3594 (March 8, 1999).

Annual incomes for workers in the apparel and footwear industries in 1998 averaged B52,560, about 1,273 U.S. dollars (US$). Trainees may receive wages lower than the minimum wage and long-time workers frequently receive higher remuneration. Ministry of Labor and Social Affairs officials state that the large number of sub-contractors in apparel and footwear industries do not fall under the minimum wage system because their work, primarily piece work, is paid for on a lump sum basis and so does not fall under the legal definition of the minimum wage.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Thailand for total employees in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[2] Average hours worked per week by all employees in all manufacturing were 48.3 for the years 1990 through 1997, and average hours worked per week by production workers were 48.3 in the apparel industry and 49.2 in the footwear industry for the years 1990 through 1994.[3] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (B; 1990=100)		
	(B)	(US$)	(B)	(US$)	(B)	(US$)	Manuf.	Apparel	Footwear
1990	3,357	134	2,545	101	2,428	97	100	100	100
1991	3,688	145	3,022	119	3,207	126	104	112	124
1992	3,986	157	3,467	137	3,230	127	108	124	121
1993	4,138	163	4,031	159	3,628	143	108	139	131
1994	4,229	168	4,152	165	3,662	146	105	137	126
1995	4,994	200	4,352	175	4,046	162	118	135	132
1996	5,502	217	na	na	na	na	122	na	na
1997	5,935	189	na	na	na	na	125	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 917.

NON-WAGE BENEFITS

The government does not specifically mandate non-wage benefits for workers in the apparel and footwear industries. Workers who join the government's Social Security Fund are entitled to

[2] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 757.

compensation from the fund in case of injury or sickness, child delivery, disability, death, child welfare, and old age. There are no tax credits for workers in the apparel or footwear industries, however, most workers do not need to pay income tax since their net income is less than the minimum annual income requirement, B100,000 (US$2,421 at the 1998 the exchange rate of US$1 to B41.3). In general, workers in large plants, especially those located in industrial estates, receive non-wage benefits such as housing, uniforms, subsidized meals, and a year-end bonus.

ASSESSING BASIC NEEDS: THE POVERTY LINE

A study on the impact of the economic crisis on employment, unemployment and real income, by the National Economic and Social Development Board (NESDB) and the Asian Development Bank (ADB) in September 1998 set the poverty line in Thailand at an average income of B906 (US$22) per person per month. This amount is determined by the cost of a basket of items necessary for a person to survive for one month. The basket of goods is weighted 60 percent for food and 40 percent for non-food items. According to the study, as of the second quarter of 1998, 7.6 million (out of population of 61.0 million) Thai people live under the poverty line, compared with 6.8 million (out of population of 59.9 million) in 1996.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[4] reports several measures of a poverty line for Thailand:

! For 1980/81, 27.3 percent of persons in villages and 13.5 percent of persons in sanitary districts were below the poverty line (income of B1,981 per capita per year in 1976 prices; or B3,454 in current prices) and 7.5 percent of persons in municipalities were below the poverty line (income of B2,961 per capita per year in 1976 prices; or B5,151 in current prices), with a national poverty rate of 23.0 percent;

  for 1988/89, 29.4 percent of persons in villages, 13.2 percent of persons in sanitary districts, and 6.7 percent of persons in municipalities were below the same respective poverty lines, with a national poverty rate of 23.7 percent.[5]

! For 1988, 10.4 percent of the Thai population was below the poverty line of US$30.42 per

---

[4] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 45-46.

[5] The estimates are referenced as originating from Suganya Hutaserani and P. Tapwong, "Urban Poor Upgrading: Analyses of Poverty Trend and Profile of the Urban Poor in Thailand," Background Paper No. 6.2 prepared for the National Economic and Social Development Board (NESDB) project on national urban development policy framework, October 1990. The study uses a standard method to estimate poverty lines, based on valuing at representative prices a minimum nutritional diet consisting of foods typically consumed within the country. Non-food expenditures are calculated from the ratio of food to total expenditures for the lowest quintile from the *1975/76 Socio-Economic Survey* and added to the cost of the minimum food basket to determine the minimum expenditure requirement at the poverty line. In the current Thai economic statistics, urban areas consist only of municipalities and rural areas consist of villages and sanitary districts. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 155.

capita per month (i.e., US$1 per day) in 1985 purchasing power parity adjusted US$.[6]

The World Bank reports[7] that, in 1992, 13.1 percent of the Thai population was below the country-specific national poverty line, with 10.2 percent of the urban population and 15.5 percent of the rural population living below the poverty line; in 1990, 18.0 percent of the Thai population was below the country-specific poverty line. The same source also reports that, in 1992, 23.5 percent of the Thai population was below the international poverty line of US$2 per person per day and less than 2.0 percent was below the international poverty line of US$1 per person per day, both in 1985 purchasing power parity US$.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Thailand meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage in Thailand is not adequate to provide a decent standard of living for a worker and family. With extended family members' financial contributions, the minimum wage provides the basis for a marginally adequate overall standard of living. Nationwide, however, more than half of the workers receive less than the minimum wage, especially in rural provinces. Unskilled migrant workers, as well as illegal aliens, often work for wages significantly less than the minimum wage. The minimum wage does not apply to undocumented hill tribe members, who are likewise not protected by other labor laws.[8]

Thai laborers employed in the apparel and footwear industries live far above the poverty line determined by the government. Annual incomes for workers in the apparel and footwear industries averaged B52,560 (US$1,273), compared with the annual poverty level income of B10,872 (US$264). Nevertheless, income disparities in Thailand have sharpened in recent years. Thai per capita income in 1998 is estimated at B79,425 (US$1,923). According to the NESDB and ADB's study, the income share of the wealthiest top 20 percent of Thailand increased from 55.3 percent in 1996 to 56.2 percent in the first two quarters of 1998, while income shares in all other quintiles decreased.

---

[6] The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[7] World Bank, *World Development Report 1998-99* (New York: Oxford University Press, 1999), p. 197.

[8] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1080.

TURKEY[1]

MINIMUM WAGE

The Labor Ministry is obliged legally to set minimum wages at least every two years through a Minimum Wage Board, a tripartite government-industry-trade union commission. In recent years, the minimum wage has been adjusted annually. The monthly gross minimum wage rates, which became effective on August 8, 1998, were 47.8 million Turkish lira (TL), approximately 174 U.S. dollars (US$), for workers older than age 16 and TL40.7 million (about US$148) for workers under age 16.

Minimum wage rates for the first and second halves of 1999 were set on December 29, 1998.[2] For workers over 16, the gross minimum wage was set at TL78.07 million (about US$243) for the first six months of 1999 and TL93.60 million (about US$291) for the second half of 1999. For workers under the age of 16, the gross minimum wage was set at TL66.36 million (about US$206) for the first half of 1999 and TL79.56 million (about US$247) for the last half. The labor law set a 45-hour workweek, although unions have bargained for fewer hours; the law prescribes a weekly rest day and limits the number of overtime hours to 3 a day for up to 90 days in a year.[3] Recent trends in monthly minimum wage rates since 1993 are given the following table.

Monthly Minimum Wage Rates, 1993-99 (millions of Turkish liras)

Date	Workers under 16 years of age	Workers 16 or older
1993-August	1.12	1.56
1994-September	2.33	2.76
1995-September	7.09	8.46
1996-September	14.40	17.01
1997-August	29.93	35.44
1998-January	37.41	44.30
-August	40.70	47.84
1999-January	66.36	78.07
-July	79.56	93.60

Source: U.S. Department of State, *Country Reports on Human Rights Practices*, Turkey, section 6e (Washington: U.S. Government Printing Office, various years).

PREVAILING OR AVERAGE WAGE

[1]Unless noted otherwise, information presented here is from American Embassy—Ankara, unclassified telegram No. 2564 (March 19, 1999).

[2]Reportedly, in developing the minimum wage increase, the wage commission took into account the minimum calorie intake needed for basic health, which the government has set at 3,540 calories per worker per day. The minimum wage rates were converted to US$ at the January 1999 average market rate of US$1=TL321,910.

[3] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1568.

In Turkey, the apparel industry is considered together with textiles, while the footwear industry is separate and more closely associated with the leather industry. Accordingly, the wage structures for these industries are determined differently.[4]

(1) Prevailing Hourly Wage in the Textile and Apparel Industry, 1999 (estimated average)

Prevailing hourly wage (take home pay)	TL550 thousand (US$1.71)
Non-wage benefits	TL254 thousand (US$0.79)
Total	TL804 thousand (US$2.50)

Plus 4 bonuses per year, equaling one month's salary each.

(2) Prevailing Monthly Wage in the Leather Industry, 1999 (estimated average)

Public Sector Wages

Prevailing monthly wage (take home pay)	TL147 million (US$457)
Social package	TL30 million (US$93)
Total	TL177 million (US$550)

Plus 4 bonuses per year, equaling one month's salary each.

Private Sector Wages

Prevailing monthly wage (take home pay)	TL130 million (US$404)
Non-wage benefits	TL40 million (US$124)
Total	TL170 million (US$528)

Plus 4 bonuses per year, equaling one month's salary each.

The table below presents available data from the International Labor Organization (ILO) on average daily earnings (direct wages per worker) in Turkey for all employees in the manufacturing sector and in the apparel industry. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[5] Average hours worked per week by production workers were 35.0 in manufacturing and 39.1 in the apparel industry for the years 1990 through 1995.[6] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the

[4] The State Institute of Statistics (SIS) issued a report, *Employment and Wage Structure*, in November 1994 which provides survey information on employment and wages by industry and occupation; the next report is not scheduled until the year 2000. SIS maintains a web site <http://www.die.gov.tr> with a Turkish and English language menu which is updated every two months and contains all of its statistical publications on labor statistics, including wages and wage structures by sectors. The average market exchange rate for January 1999 of US$1=TL321,910 was used to convert TL to US$.

[5] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[6] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 795.

International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing and Apparel

Year	All Manufacturing (TL)	All Manufacturing (US$)	Apparel (TL)	Apparel (US$)	Real Earnings Index (TL; 1990=100) Manuf.	Real Earnings Index (TL; 1990=100) Apparel
1990	30,582	11.72	19,091	7.32	100	100
1991	61,620	14.77	39,700	9.52	121	125
1992	88,144	12.83	65,501	9.53	102	122
1993	135,236	12.31	103,529	9.42	94	116
1994	191,119	6.45	164,677	5.56	65	89
1995	na	na	na	na	na	na
1996	757,277	9.30	660,045	8.11	75	105
1997	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 962.

NON-WAGE BENEFITS

In both the textile and apparel and leather industries, government mandated benefits include statutorily-required social security premiums. Tax credits are not applicable. Workers covered by the labor law, who constitute about one-third of the total labor force, also receive a hot meal or daily food allowance and other fringe benefits that—according to statistics of the Turkish Employers' Association—make basic wages alone account for only about 37.3 percent of total compensation for the textiles and apparel industry in 1997 and 39.4 percent for the leather industry in 1996 (most recent statistics available).

The average percentage composition of the total value of the non-wage benefits or social package, which is usually negotiated through collective agreements, is:

Non-Wage Benefit	Percent of total package
Statutory social security premiums	29.4
Severance pay	18.1
Meals	17.8
Transportation	10.9
Forced savings fund	6.2
Heating pay	5.0
Work clothing, protective materials	3.1
Holiday and additional holiday pay	2.8
Notification indemnity	1.6
Family, children and education allowance	1.3
Health services, day nursery	0.6
Birth, death, marriage allowances	0.3
Payments to private insurance schemes	0.3
Other	2.6

A U.S. Social Security Administration survey[7] elaborates on four non-wage benefit programs that employers in Turkey contribute to on behalf of their employees: (1) old age, disability, and death benefits, begun in 1949, in which the insured person pays 9 percent of their earnings, employers pay 11 percent of the payroll (13 percent for arduous employment), and the government contributes nothing; (2) sickness and maternity benefits, begun in 1945, in which the insured person pays 5 percent of their earnings, employers pay 6 percent of the payroll for sickness and 1 percent for maternity, and the government contributes nothing; (3) work injury benefits, begun in 1945, which are entirely funded by the employer who pays 1.5-7.0 percent of payroll according to risk (the average is 2.5 percent); and (4) unemployment benefits are compulsory under the labor code and the employer is required to pay a dismissal indemnity of 30-days wages per year of service.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Turkey has not established an official poverty line for the nation. According to the Turkish Institute of Statistics (SIS) and local labor and employers' confederations, various institutions (e.g., trade unions, employers, and academics) have developed their own estimates of a poverty line, generally based on data from SIS. These institutions bring their calculations to government wage commission sessions, where they are factored into minimum wage decisions for the period under consideration.

---

[7] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 359-360.

Data from SIS are also generally used to determine the poverty line in labor contract negotiations and closely approximate minimum wage rates plus associated fringe benefits. For example, the Turkish Labor Confederation has calculated the monthly poverty line for a family of four in 1999 as follows:

Food for basic health and nutrition (1/3 of total expenses):	TL88 million
Other expenses (twice food and basic food expenses):	TL176 million
Total	TL264 million

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[8] reports for 1988 that 14 percent of the rural Turkish population was below the poverty line.[9]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Turkey meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that it would be difficult for a single worker, and impossible for a family, to live on the minimum wage without support from other sources. Most workers earn considerably more; however, workers covered by the labor law constitute only about one-third of the total labor force.[10] The U.S. Embassy did not identify any studies on the living wage in Turkey.

---

[8] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 70.

[9] The estimate is referenced as originating from Idriss Jazairy, Mohiuddin Alamgir, and Theresa Panuccio, *The State of World Rural Poverty: An Inquiry into Its Causes and Consequences* (New York: New York University Press, 1992). The estimates in the study are based upon internal working documents or working papers of the International Fund for Agricultural Development (IFAD) and are usually provisional and rounded to the nearest multiple of 5. In many cases, the estimates do not appear to based on household survey data, but were included in the ILO compendium since they relate to countries for which there were no other available estimates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[10] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1568.

UNITED ARAB EMIRATES[1]

MINIMUM WAGE

There is no legislatively or administratively set minimum wage in the United Arab Emirates (UAE). Wages are determined by the free market, based on supply and demand. However, the Ministry of Labor and Social Affairs reviews all labor contracts and does not approve any contract that stipulates a clearly unreasonable wage. Contracts are reviewed by the Ministry of Labor and Social Affairs to ensure that they meet an unwritten and unofficial minimum standard of 500-600 Emirian dirhams (Dh), or approximately 136-163 U.S. dollars (US$), per month, exclusive of employer-provided benefits. The standard workday is 8 hours, six-days per week.[2]

According to officials of the Ministry of Labor and Social Affairs, virtually the entire UAE textile and apparel labor force is comprised of expatriate workers, mostly Indians, Bangladeshis, Pakistanis, and Sri Lankans.

PREVAILING OR AVERAGE WAGE

Textile and apparel workers with greater skills and/or in more senior positions will earn a higher wage—well in excess of the minimum—than unskilled workers.

No data were available for the United Arab Emirates from the Internationa Labor Organization (ILO) on average wages or hours worked in the manufacturing sector or in the apparel or footwear industries.

NON-WAGE BENEFITS

As part of their contract, workers in the textile and apparel sector are provided by their employers with housing, food, and medical care—in addition to their base salaries. Workers at apparel plants in urban areas are generally assigned apartments, while those who work at factories in the desert are provided with dormitory style accommodations.

ASSESSING BASIC NEEDS: THE POVERTY LINE

There is no government-determined poverty line. The UAE is a wealthy country; per capita income is roughly US$16,000 per year. The government has in place an extensive system (for example, federal government hiring preferences, housing loans, wedding grants, and development projects) for

---

[1] Unless noted otherwise, information presented here is from American Embassy—Abu Dhabi, unclassified telegram No. 1308 (March 1, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1829.

re-distributing wealth to the less wealthy northern emirates—Ajman, Fujeirah, Umm al Qaiwain, Ras al Khaimah—which have little in the way of oil or gas resources. The government has announced the establishment of an ambitious federally-run program which will provide pensions and death and disability benefits for UAE nationals. In short, poverty is not an issue for the UAE's estimated 500,000 citizens. These benefits, however, are available to UAE citizens only. UAE nationals comprise roughly 80 percent of the total population, and about 90 percent of the labor force.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in the UAE meet workers' basic needs. The U.S. Embassy reports that the Ministry of Labor and Social Affairs claims their review of worker contracts determines that the base salary is greater than the minimum Dh500-600 per month (plus housing, food, and medical), thus ensuring that foreign textile and apparel workers earn a living wage and are able to meet their basic needs. The U.S. Embassy was not aware of any studies available on the issue of the living wage in the UAE.

UNITED KINGDOM[1]

MINIMUM WAGE

A national minimum wage was introduced for the first time in the United Kingdom (UK) on April 1, 1999. Up until 1993, minimum wages were set by 26 wages councils, affecting some 2.5 million workers. The main councils covered retailing, catering, clothing manufacture, and hairdressing. During this period, 118,000 employees in clothing manufacture were covered and had a minimum wage of 2.72 British pounds sterling (£) per hour—about 4.39 U.S. dollars (US$).

As of April 1, 1999, the hourly rate for employees aged 22 or over was £3.60 (US$5.81) and £3.00 (US$4.85) for those aged 18-21. There is no statutory rate for employees under the age of 18, but jobs for this age group do not exist in the textile (apparel) sector. The national minimum wage will be reviewed within two years of its introduction; at that point, its future level will be assessed.

Analysis provided in the New Earning Survey (NES)—a one percent sample of employees in the UK conducted by the Office for National Statistics (ONS)—shows that, in April 1998, 13 percent of employees in textile and textile product manufacturing were paid less than the initial rates for the minimum wage (deflated to 1998 prices). However, the NES tends to overstate earnings because of a failure to fully sample employees under the "pay-as-you-earn" tax threshold. The ONS also uses a strict definition of what firms are involved in textile manufacturing; caution should be taken when transferring these results to the industry as a whole. Thus, the ONS reports that employer survey estimates as of November 1998 show that only around 130,000 employees work in textile manufacturing.

PREVAILING OR AVERAGE WAGE

Figures provided by the British Footwear Association and British Clothing Industry Association reveal the following weekly wages, based on an adult 18 years or older working 39 hours a week (US$ figures are based on an exchange rate of £1 to US$1.62):

Footwear		Apparel	
1995	- £109.71 (US$177.18)	1995	- figures unavailable
1996	- £115.00 (US$185.73)	1996	- £118.00 (US$190. 57)
1997	- £120.00 (US$193.80)	1997	- £123.30 (US$199.13)
1998	- £123.60 (US$199.61)	1998	- £130.00 (US$209.95)--from January 1, 1999
1999	- £140.40 (US$226.75)-- from April 1, 1999	1999	- £140.40 (US$226.75)--from April 1, 1999

The table below presents available data from the International Labor Organization (ILO) on average

[1] Unless noted otherwise, information presented here is from American Embassy—London, unclassified telegram No. 2225 (March 13, 1999).

hourly earnings (direct wages per worker) in the Great Britain[2] for all employees in the manufacturing sector and in the apparel and leather footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[3] Average hours worked per week by all employees were 41.8 in manufacturing, 39.3 in apparel, and 41.4 in footwear and leather goods for the years 1990 through 1997.[4] Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Hourly Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (£; 1990=100)		
	(£)	(US$)	(£)	(US$)	(£)	(US$)	Manuf.	Apparel	Footwear
1990	6.05	10.79	3.84	6.85	4.52	8.06	100	100	100
1991	6.68	11.81	4.15	7.33	4.77	8.43	104	102	100
1992	7.09	12.52	4.41	7.79	5.07	8.95	107	105	102
1993	7.45	11.19	4.64	6.97	5.66	8.50	110	108	112
1994	7.55	11.57	4.75	7.28	5.64	8.64	109	108	109
1995	7.85	12.39	4.98	7.86	6.33	9.99	110	110	118
1996	8.22	12.83	5.26	8.21	6.25	9.75	112	113	114
1997	8.53	13.97	5.42	8.88	6.02	9.86	112	113	107

Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 964.

NON-WAGE BENEFITS

There are no government-mandated, non-wage benefits or tax credits for workers in the apparel and footwear industries.

A U.S. Social Security Administration survey[5] elaborates on four non-wage benefits programs that employers in the UK participate in on behalf of their employees: (1) the Basic State Retirement Pension program, begun in 1908 and now a compulsory dual social insurance and social assistance system for old age, disability, and death benefits, in which employees contribute 2 percent of the first £62 plus 10 percent of wages £62-465 and employers contribute 3-10 percent of employee wages

[2] That is, England, Wales, and Scotland, but excluding Northern Ireland.

[3] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

[4] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 796.

[5] Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 368-372.

according to wage bracket (15 percent of these contributions are allocated to the National Health Service to cover medical care costs); (2) sickness and maternity benefits, begun in 1911 and now part of the National Health Service, have the same source of funds as for pensions except employers also pay the full cost of statutory sickness pay and 8 percent of the statutory maternity pay with the government paying the balance; (3) work injury benefits, begun in 1897, have the same source of funds as for pensions; (4) unemployment insurance, begun in 1911, has the source of funds is same as for pensions; and (5) family allowances program, begun in 1945, is a universal system and the government pays the entire cost; family credit, a social assistance program, is income-tested benefit.

ASSESSING BASIC NEEDS: THE POVERTY LINE

No formal definition of the poverty line exists in the UK. For example, in an answer to a written question in 1994, Social Security Minister Alistair Burt stated: "No government in the United Kingdom have [sic] ever accepted that it is possible to identify a single simple measure to define poverty in any meaningful way." More recently, government statisticians commented: "One of the problems of measuring poverty is that it has no agreed definition and therefore there is little consensus on how the concept should be translated into a statistical measure." And, " There are many ways of drawing poverty lines and many different interpretations of exactly what poverty is."[6]

However, the Department for Social Security (DSS) has, since the mid-1970s, published statistics on the number of people with relatively low incomes in a publication titled *Households Below Average Income* (HBAI). This has been done without specifying what constitutes poverty. In broad terms, HBAI ranks individuals by their net (after income tax, national insurance, and occupational pension contributions) per-adult-equivalent household income measured either before or after housing costs. For example, in 1979, 5.0 million (9 percent of the UK population) was below the poverty line of 50 percent of mean net per-adult-equivalent income (after housing costs). In 1995-97, 14.1 million (24 percent of the UK population) was below the same poverty line. However, if the 1979 poverty line were adjusted for inflation, then only 5.3 million (9 percent of the UK population) would be below this poverty line in 1995-97. This illustrates the problems encountered in using a relative poverty measure to monitor changes in poverty over time.[7]

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[8] reports for 1988 that 18.7 percent of the UK's population was below the poverty line

[6] Robert Twigger, *Poverty and the Distribution of Income and Wealth in the UK* (London: House of Commons Library, Economic Policy and Statistics Section, January 12, 1999), p. 2.

[7] Robert Twigger, *Poverty and the Distribution of Income and Wealth in the UK* (London: House of Commons Library, Economic Policy and Statistics Section, January 12, 1999), p. 3.

[8] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 76.

of 50 percent of national mean equivalent expenditure.[9] A more recent study, using a slightly different definition, reported for 1979 that 9.2 percent and for 1991 that 14.6 percent of the UK's population was below the poverty line of 50 percent of median disposable income.[10]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in the United Kingdon meet workers' basic needs. The U.S. Embassy relates that the first report of the Low Pay Commission, which recommended the establishment of the minimum wage, noted many studies relating to the minimum wage in general and concepts related to a living wage.[11]

---

[9] The estimate is referenced as originating from Eurostat, *Poverty Statistics in the Late 1980s: Research Based on Micro-Data* (Luxembourg: Office for Official Publications of the European Communities, 1994), p. 414. The study was conducted for Eurostat by Aldi J.M. Hagenaars, Klass de Vos, and M. Asghar Zaidi and was based on the Survey of Family Consumption (ISTAT). The study uses household expenditure per adult equivalent (OECD equivalence scales) with the poverty line set at 50 percent of the mean of this variable. Equivalence scales were used to compensate for differences due to family size. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

[10] Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from LIS*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997), Appendix Table A-4.

[11] A copy of the whole report can be located on the Internet at <http://www.lowpay.gov.uk>.

UNITED STATES

MINIMUM WAGE

The first minimum wage legislation in the United States was implemented by the state of Massachusetts in 1912.[1] By 1923, 17 states and other jurisdictions had adopted minimum wage legislation.[2] For the most part, early state minimum wage legislation was limited to women and children working in particularly vulnerable occupations.

In 1937, the Supreme Court upheld the constitutionality of state minimum wage laws, reversing its decision made in 1923 which had essentially halted the movement toward more extensive state minimum wage legislation. In 1938, the U.S. Congress enacted the Fair Labor Standards Act (FLSA) which set a floor for wages for men and women. As a result, there was increased attention in the states for minimum wage legislation, with earlier laws amended and others reenacted or created. The major innovations introduced by the states in the 1950's included hourly statutory minimum rates and the application of the laws to men.

The Fair Labor Standards Act of 1938 contained provisions and standards concerning minimum wage rates, overtime pay,[3] and record keeping requirements as well as restrictions on child labor. The 1938 Act applied to employees engaged in interstate commerce or in the production of goods for interstate commerce. The 1961 Amendments extended coverage primarily to employees in large retail and service enterprises as well as to local transit, construction, and gasoline service station employees. The 1966 Amendments extended coverage to state and local government employees of hospitals, nursing homes, and schools, and to employees of laundries, dry cleaners, large hotels and motels, restaurants, and farms. Subsequent amendments extended coverage to federal, state, and local government employees and certain workers in retail and service trades previously exempted, and to certain domestic workers in private household employment.

[1] U.S. Department of Labor, *Growth of Labor Law in the United States* (Washington: U.S. Government Printing Office, 1967), p. 69.

[2] In chronological order, major enactments of minimum wage legislation by states and other jurisdictions were: 1912: Massachusetts; 1913: California, Colorado, Minnesota, Nebraska (repealed in 1919), Oregon, Utah, Washington, and Wisconsin; 1915: Arkansas and Kansas; 1917: Arizona; 1918: District of Columbia (held unconstitutional by the U.S. Supreme Court in 1923); 1919: North Dakota, Puerto Rico, and Texas (repealed in 1921); and 1923: South Dakota. See U.S. Department of Labor, *Growth of Labor Law in the United States* (Washington: U.S. Government Printing Office, 1967), pp. 93-94.

[3] The Act requires overtime pay at time and one-half the regular rate of pay after 40 hours in a workweek.

According to a recent report by the U.S. Department of Labor,[4] in 1996, the provisions of the Fair Labor Standards Act that require workers to receive no less than the minimum wage applied to 79.4 million wage and salary workers (64.9 percent of the total in the United States). The remaining 42.9 million workers either were not subject to these provisions (mostly retail trade and service workers not engaged in interstate commerce and/or in businesses with less than US$500,000 in annual gross receipts) or were exempt from the minimum wage (and overtime) provisions (almost three-fourths of those exempt were executive, administrative, and professional employees excluded under Section 13(a) of the Act). Industries with over 80 percent minimum wage coverage included construction, mining, and manufacturing; those below 50 percent coverage included agriculture and services.

Minimum wage law in the United States can be characterized as being a combination of state and federal law. Eleven states and jurisdictions have minimum wages that are set higher than the federal minimum wage (Alaska, California, Connecticut, Delaware, the District of Columbia, Hawaii, Massachusetts, Oregon, Rhode Island, Vermont, and Washington), 27 have rates equal to the federal rate, 9 have set rates below the federal rate, and 7 have no state minimum wage (see table of state hourly minimum wage rates at the end of this section). Where the state minimum wage rate is higher than the federal rate, the higher standard applies. Workers not covered by the FLSA are subject to state minimum wage laws if applicable. Voters in Washington State approved a ballot measure in 1998 that will adjust minimum wage rates for inflation, starting in January 2001; this provision marks the first instance in the United States where state minimum wage rates will be automatically adjusted for inflation.[5]

The federal minimum wage rate was raised its current level of US$5.15 on September 1, 1997. Under the current federal law, there are provisions for a subminimum wage of US$4.25 an hour for employees under 20 years of age during the first 90 consecutive calendar days of employment with an employer. The federal minimum wage is set legislatively by the U.S. Congress and revised irregularly, frequently resulting in the erosion of its real purchasing power. The table below presents the current dollar and real value of the federal minimum wage since 1980.

[4] See U.S. Department of Labor, *Minimum Wage and Overtime Hours Under the Fair Labor Standards Act*, 1998 Report to Congress required by Section 4(d)(1) of the Fair Labor Standards Act (Washington: U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division, June 1998), pp. 21-28; 129-137.

[5] Richard Nelson, "State Labor Legislation Enacted in 1998," *Monthly Labor Review*, Vol. 122, No. 1 (January 1999), p. 3.

Nominal and Real Federal Hourly Minimum Wage Rates, 1980-99

Year	Current Value of Minum Wage	CPI-U 1990=100	Real Minimum Wage (1990 US$)
1980	3.10	63.0	4.92
1981	3.35	69.5	4.82
1982	3.35	73.8	4.54
1983	3.35	76.2	4.40
1984	3.35	79.5	4.21
1985	3.35	82.3	4.07
1986	3.35	83.9	3.99
1987	3.35	86.9	3.86
1988	3.35	90.5	3.70
1989	3.35	94.9	3.53
1990	3.80[a]	100.0	3.80
1991	4.25	104.2	4.08
1992	4.25	107.3	3.96
1993	4.25	110.6	3.84
1994	4.25	113.4	3.75
1995	4.25	116.6	3.64
1996	4.38[a]	120.0	3.65
1997	4.88[a]	122.8	3.97
1998	5.15	124.7	4.13
1999	5.15	126.5[b]	4.07

Note: [a] = weighted average due to mid-year change in the minimum wage rate.
[b] = based on 6-month average. CPI-U (1990=100) is the consumer price index for all urban consumers (1982-84=100), rebased to 1990 equal 100.
Source: U.S. Department of Labor.

A recent study by the Economic Policy Institute[6] found that 11.8 million workers (10.1 percent of the workforce) would receive an increase in their hourly wage rate if the federal minimum wage were raised from its current level of US$5.15 per hour to US$6.15. Workers directly affected by such an increase in the minimum wage (i.e., workers whose earnings are between their state's current minimum and US$6.15) would be mostly female (59.2 percent) and adults age 20 or older (72 percent) who work 35 or more hours a week (48.2 percent) in nonunion jobs (95.6 percent) in retail trade (43.7 percent). In an earlier study,[7] the Economic Policy Institute found that 9.9 million workers (8.9 percent of the workforce) would benefit from an increase in the federal hourly minimum wage from US$4.25 to US$5.15 over the period October 1995-September 1996 (the phase-in period of the last increase); the demographic effects of the increase were similar to those found in the more recent study.

[6] See Jared Bernstein, "The Next Step: The New Minimum Wage Proposal and the Old Opposition," *EPI Issue Brief*, Number 130 (Washington: Economic Policy Institute, April 27, 1999), p. 1.

[7] See Jared Bernstein, "America's Well-Targeted Raise: Data Show Benefits of Minimum Wage Increase Going to Workers Who Need It Most," *EPI Issue Brief*, Number 118 (Washington: Economic Policy Institute, September 2, 1997), p. 1.

Regarding the apparel industry, three states (California, New Jersey, and New York) have legislation providing for civil penalties in the event of labor law violations.

The Commonwealth of the Northern Mariana Islands (CNMI) is a U.S. territory which has control of its own immigration and minimum wage policies.[8] The minimum wage under CNMI law is currently US$3.05 an hour. According to the U.S. Department of Commerce, the CNMI annually ships about a billion dollars worth of apparel to the United States duty- and quota-free which may bear a "Made in USA" label. About 91 percent of all private sector jobs in the CNMI are held by temporary alien workers (mainly from China, the Philippines, Bangladesh, and Sri Lanka). Approximately 15,000 alien workers (about a fourth of the islands' total population) are employed in the islands' 31 garment factories, which are almost entirely dependent on alien workers and where there have been frequent allegations of sweatshop working conditions and sub-standard housing. Alien workers in the CNMI, who usually must pay substantial fees to middlemen to secure a job in the CNMI, are indentured because they are in the territory solely by virtue of their employment contract with a specific employer who is in control of the duration of the stay of the alien worker. Generally when an alien worker's contract is terminated, the employee must leave the CNMI. Local employers are forbidden by CNMI law from paying alien workers more than that stipulated in their original contract, which is usually, or very close to, the CNMI minimum wage. The prevailing wage for production workers in the CNMI apparel industry is close to the islands' minimum wage of US$3.05 an hour since the industry's production lines are staffed almost entirely by an unlimited supply of alien contract workers. The Administration supports U.S. legislation which would ultimately apply federal immigration and minimum wage laws to the islands.

[8] This paragraph is based on information from U.S. Department of Interior, "Federal-CNMI Initiative on Labor, Immigration, and Law Enforcement in the Commonwealth of the Northern Mariana Islands: Fourth Annual Report 1998," Office of Insular Affairs, Washington, December 30, 1998.

Hourly Minimum Wage Rates for States and Other Jurisdictions of the United States

Current Federal Rate Established by the Federal Fair Labor Standards Act : US$5.15

States and Jurisdictions with Rate Above the Federal Rate:

Alaska	US$5.65	[set at 50¢ above the federal rate]
California	5.75	
Connecticut	5.65	[if fed rate $state rate, set at 1.005 times the federal rate; US$6.15 beginning 01/01/00]
Delaware	5.65	[US$6.15 beginning 10/1/00]
District of Columbia	6.15	[set at US$1.00 above the federal rate]
Hawaii	5.25	[employee with guaranteed compensation of US$1,200 a month is exempt]
Massachusetts	5.25	[US$6.00 beginning 01/01/00; US$6.75 beginning 01/01/01]
Oregon	6.50	
Rhode Island	5.65	
Vermont	5.25	[US$5.75 beginning 10/01/99]
Washington	5.70	[US$6.50 beginning 01/01/00; indexed rate beginning 01/01/01]

States and Jurisdictions with Rate Equal to the Federal Rate:

Arkansas	Nebraska
Colorado	Nevada
Guam	New Hampshire
Idaho	New Jersey
Illinois	North Carolina
Indiana	North Dakota
Iowa	Oklahoma [US$2.00 less than 10 employees or annual gross sales under US$100,000]
Kentucky	Pennsylvania
Maine	South Dakota
Maryland	Utah
Michigan	Virginia
Minnesota [US$4.90 annual receipts less than US$500,000]	West Virginia
Missouri	Wisconsin
Montana [US$4.00 gross annual sales less than US$110,000]	

States and Jurisdictions with Rate Below the Federal Rate:

Georgia	US$3.25	
Kansas	2.65	
New Mexico	4.25	
New York	4.25	
Ohio	4.25	[US$2.80 annual sales under US$150,000; US$3.35 annual sales of US$150,000 to US$500,000]
Puerto Rico	3.61-5.15	[at least 70 percent of the higher of federal or mandatory-decree rate; exemption may be granted]
Texas	3.35	
Virgin Islands	4.65	[US$4.30 annual receipts under US$150,000]
Wyoming	1.60	

States and Jurisdictions with No Minimum Wage Law:

Alabama	Mississippi
Arizona	South Carolina
Florida	Tennessee
Louisiana	

Source: U.S. Department of Labor web site: <http://www.dol.gov/dol/esa/public/minwage/america.htm>, extracted October 8, 1999.

PREVAILING OR AVERAGE WAGE

The table below presents establishment data from the U.S. Bureau of Labor Statistics on nominal and real (adjusted for inflation) average hourly earnings (gross hourly earnings or pay for time worked) of production workers in manufacturing (SIC 20-39); apparel and other textile products (SIC 23); footwear–except rubber (SIC 314); and rubber and plastics footwear (SIC 302), for the period 1990-1998. The average weekly hours for production workers over this period were 41.4 in manufacturing, 37.1 in apparel, 37.0 in nonrubber footwear, and 41.2 in rubber footwear.

Average Hourly Earnings of Production Workers in All Manufacturing, Apparel, and Footwear Industries, 1990-98

	-------Nominal Wages (current US$)--------				----------Real Wages (1990 US$)------------			
Year	Manufacturing	Apparel	Leather Footwear	Rubber Footwear	Manufacturing	Apparel	Leather Footwear	Rubber Footwear
1990	10.83	6.57	6.61	6.66	10.83	6.57	6.61	6.66
1991	11.18	6.77	6.80	6.87	10.73	6.50	6.53	6.59
1992	11.46	6.95	7.02	7.21	10.68	6.47	6.54	6.72
1993	11.74	7.09	7.20	7.59	10.62	6.41	6.51	6.87
1994	12.07	7.34	7.48	7.81	10.64	6.47	6.60	6.89
1995	12.37	7.64	7.67	8.44	10.61	6.55	6.58	7.24
1996	12.77	7.96	8.09	9.13	10.64	6.63	6.74	7.61
1997	13.17	8.25	8.49	9.71	10.72	6.72	6.91	7.91
1998	13.49	8.52	8.93	10.06	10.82	6.83	7.16	8.07

Note: Current dollar earnings are converted to 1990 dollars using the consumer price index for all urban consumers (CPI-U), rebased to 1990=100.
Source: U.S. Bureau of Labor Statistics; national employment, hours, and earnings; nonfarm payroll statistics from the National Current Employment Statistics (establishment based).

NON-WAGE BENEFITS

U.S. employers must enroll their employees in the following four non-wage benefit programs: (1) social security insurance, begun in 1935, provides old age, disability, and death (survivor) benefits; covered employees contribute 6.2 percent of earnings and employers contribute 6.2 percent of payroll; (2) medicare, which was first enacted in 1965 as health insurance for the aged and then was expanded in 1972 to include health insurance for the disabled, is funded in equal amounts (1.45 percent of pay) by employees and employers while the government covers the cost of hospitalization for certain non-insured aged persons; (3) work injury or workers' compensation, begun at the federal level in 1908 covering federal employees, is a compulsory insurance program in all but three states, where it is voluntary; the employer pays all costs based on risk level (average cost is 2.05 percent of payroll), except in a few states where employees pay a nominal amount; and (4) unemployment insurance, initiated in 1935, is a compulsory joint federal-state program that is funded entirely by employers with a contribution of 0.8 percent of taxable payroll to the federal program and a contribution ranging from 0-10 percent of taxable payroll to the state program.[9]

To gauge the value of benefits provided to production workers in the manufacturing sector, hourly compensation can be examined in terms of its components: hourly direct pay and employer social insurance expenditures and other labor taxes. Hourly direct pay includes all payments made directly to the worker, before payroll deductions of any kind, and consists of pay for time worked (hourly earnings, i.e., basic straight-time and piece rates plus overtime premiums, shift differentials, other premiums and bonuses paid regularly each pay period, and cost-of-living adjustments) and other direct pay (pay for time not worked such as vacations, holidays, and other leave except sick leave; seasonal or irregular bonuses and other special payments; selected social allowances; and the cost of payments in kind). Social insurance expenditures and other labor taxes include employer expenditures for legally required insurance programs (social security, medicare, and workers' compensation) and contractual and private benefit plans (retirement and disability pensions, health insurance, income guarantee insurance and sick leave, life and accident insurance, occupational injury and illness compensation, unemployment insurance, and family allowances).

Based on data from the Bureau of Labor Statistics,[10] total hourly compensation for production workers in U.S. manufacturing in 1997 was US$18.24, consisting of US$14.34 (or 78.6 percent) hourly direct pay and US$3.90 (21.4 percent) employer social insurance expenditures and other labor taxes. Hourly direct pay included US$13.17 pay for time worked and US$1.17 other direct pay for time not worked (vacations and holidays). Hourly compensation costs reflect the cost to the employer of employing a worker; some non-wage benefits provided by employers are deferred benefits to workers and do not immediately augment a worker's overall income. From the worker's standpoint, hourly direct pay does not reflect required deductions for state and federal income taxes and employee contributions for social security and medicare or voluntary deductions for health insurance, savings and retirement plans, union dues, or other payroll deductions. Clearly, compensation costs vary by industry, occupational group, region, establishment size, and worker characteristics (bargaining status and full-/part-time status).

Other analyses of total compensation in the United States find that the costs and variety of employee benefits have expanded considerably and the proportion of employer compensation costs has shifted slightly away from wages and towards health and life insurance, retirement plans, and legally required benefits.[11]

---

[9] Social Security Administration, *Social Security Programs Throughout the World-1997* (Washington: U.S. Government Printing Office, August, 1997), pp. 373-376.

[10] "Hourly Compensation Costs for Production Workers in Manufacturing, 29 Countries or Areas, 40 Manufacturing Industries, 1975 and 1986-97," unpublished data, prepared by the Office of Productivity and Technology, Bureau of Labor Statistics, U.S. Department of Labor, Washington, DC, May 24, 1999.

[11] See William J. Wiatrowski, "Tracking Changes in Benefit Costs," *Compensation and Working Conditions on Line*, vol. 4, no. 1 (Spring 1999), <http://stats.bls.gov/opub/cwc/cwchome.htm>. See also, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, 1986-98*, Bulletin 2508 (Washington: U.S. Department of Labor, December 1998).

Specifically, trends in U.S. employee compensation over the period 1966-98 include a decline in the share of compensation accounted for by cash payments—primarily in straight-time and overtime pay—to workers (about 10 percent), relatively stable compensation shares for retirement plans, larger increases in the share of compensation accounted for by health care and disability benefits, and an increasing share of compensation accounted for by legally required benefits (social security and medicare, unemployment insurance and workers' compensation) with increases in social security costs accounting for most of the increase. The following table presents the percentage of total employer compensation costs by the major components of compensation for production and related (blue collar) workers in private manufacturing establishments in 1966 and 1998:

Compensation Item	1966	1998
Total Compensation	100.0	100.0
Wages and salaries	77.7	66.2
Benefits	22.5	33.8
Paid leave	5.8	6.7
Supplemental pay	5.3	5.2
Insurance	2.8	8.6
Retirement	2.6	3.4
Legally required	5.8	9.6
Other	0.2	0.4

Other major federal or state benefit programs in the form of cash transfers, non-cash transfers, or income tax reductions which are available to workers subject to an income test, include Temporary Assistance for Needy Families (TANF),[12] Food Stamps, and the Earned Income Tax Credit (EITC). Participation of eligible low-income families in the EITC is substantially higher than in the TANF and Food Stamps programs.

Only families that work are eligible for the EITC and the amount of the credit depends on the family's labor market earnings.[13] In 1998, for every dollar a low-income worker earned up to an established limit brought as much as 40 cents in added compensation in the form of an income tax credit. The amount of the credit rises with earnings up to a maximum credit of US$2,271 for a family with one child and US$3,756 for a family with two or more children. The credit is flat for a range of earnings and then is phased out. About 80 percent of EITC payments offset individual income, social security, and other federal taxes borne by families receiving the credit.

---

[12] Prior to TANF, the cash assistance program to families was called Aid to Dependent Children (1936-1962) and Aid to Families with Dependent Children (1962-1996). Under the welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the program became TANF. For more information on this and other support programs, see the web site of the Department of Health and Human Services' Administration for Children and Families: <http://www.acf.dhhs.gov/programs/opa/facts/majorpr.htm>.

[13] The information presented in this paragraph and the next are based on results presented in The Council of Economic Advisers, *Good News for Low Income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage* (Washington: Council of Economic Advisers, December 1998). This report is available on the Council of Economic Advisers' web site: <http://www1.whitehouse.gov/WH/EOP/CEA/html/whitepapers.html>.

A study by the Council of Economic Advisers found that the EITC has been one of the most successful programs for fighting poverty and encouraging work. According to the Council's study, the EITC was responsible in 1997 for lifting more than 4 million persons out of poverty, reducing the number of children living in poverty by 2.2 million, and helping to increase single mothers' labor force participation. The Council found that the combined effects of the minimum wage and the EITC have dramatically increased the returns to work for families with children: between 1993 and
1997, families with one child and one income earner who worked full-time at the minimum wage (i.e., US$4.72 in 1993 and US$5.15 in 1997, in 1997 dollars) experienced a 14 percent (US$1,402) increase in their income, after inflation, due to the two policies; families in similar economic conditions with two children realized a 27 percent (US$2,761) increase in their income.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The official measure of poverty in the United States was developed in the early 1960s by Mollie Orshansky of the Social Security Administration.[14] The original measure provided a range of income cutoffs (thresholds) which were adjusted for family size, sex of family head, number of children under the age of 18, and farm/non-farm residence. The foundation of the poverty definition was the Department of Agriculture's economy food plan (i.e., the least costly of four nutritionally adequate food plans designed by the Department). Poverty thresholds for families of three or more persons were set at three times the cost of the economy food plan, based on the findings of a 1955 Department of Agriculture household food consumption survey that families of three or more persons spent approximately one-third of their after-tax money income on food.[15] In 1969, this poverty measure, with some slight modifications,[16] became the official definition of poverty for statistical use by U.S. government agencies.[17] Three modifications in the

---

[14] See U.S. Census Bureau, "Definition of Income and Poverty Terms–Poverty Definition," on the web site: <http://www.census.gov/hhes/income/defs/poverty.html>. See also, Joseph Dalaker and Mary Naifeh, *Poverty in the United States: 1997*, U.S. Bureau of the Census, Current Population Reports, Series P60-201 (Washington: U.S. Government Printing Office, 1998), p. A2, which is also available on the Internet at <http://www.census.gov/hhes/www/povty97.html>.

[15] Since smaller living units face relatively larger fixed expenses, different procedures were used to set thresholds for one- and two-person units: for two-person families, the cost of the economy food plan was multiplied by a factor of 3.7 (derived from the 1955 survey); and for unrelated individuals, a fixed proportion of the threshold for the two-person units was used.

[16] Prior to 1969, annual updates of the Social Security Administration poverty thresholds were made based on price changes of items in the economy food plan. Modifications introduced in 1969 based annual adjustments in the thresholds on changes in the consumer price index, and set the farm thresholds at 85 percent (previously 70 percent) on the corresponding non-farm thresholds. See Joseph Dalaker and Mary Naifeh, *Poverty in the United States: 1997*, U.S. Bureau of the Census, Current Population Reports, Series P60-201 (Washington: U.S. Government Printing Office, 1998), p. A3.

[17] See Bureau of the Budget Circular No. A-46 of 1969; and subsequent Office of Management and Budget Statistical Policy Directive No. 14, "Definition of Poverty for Statistical Purposes," May 1978.

"official" poverty definition were introduced in 1981: separate thresholds for farm families and for type of household head were eliminated, and the detailed poverty threshold matrix was extended to make the largest family size category "nine persons or more."

The U.S. Census Bureau has the responsibility of publishing the official annual poverty statistics on the number and proportion of the poor. The Census Bureau compares the poverty thresholds to estimates of families' cash income (including cash government benefits such as welfare cash payments, but not near-cash or in-kind benefits) before taxes based on information from the March Current Population Survey.[18] The poverty thresholds are increased each year by the same percentage as the annual average change in the consumer price index for all urban consumers (CPI-U).[19] Thus, the poverty thresholds represent the same purchasing power as in the year (1963) for which they were originally developed. The table below presents the average poverty thresholds by size of family unit for 1995-1998.

Average Poverty Thresholds by Size of Family Unit, 1995-98
(in current US$)

Size of Family Unit	1995	1996	1997	1998
1 person (unrelated individuals)	7,763	7,995	8,183	8,316
Under 65 years	7,929	8,163	8,350	8,480
65 years and over	7,309	7,525	7,698	7,818
2 persons	9,933	10,233	10,473	10,634
Householder under 65 years	10,259	10,564	10,805	10,972
Householder 65 years and over	9,219	9,491	9,712	9,862
3 persons	12,158	12,516	12,802	13,003
4 persons	15,569	16,036	16,400	16,660
5 persons	18,408	18,952	19,380	19,680
6 persons	20,804	21,389	21,886	22,228
7 persons	23,552	24,268	24,802	25,257
8 persons	26,237	27,091	27,593	28,166
9 persons or more	31,280	31,971	32,566	33,339

Notes: For each size of family unit, the weighted average poverty threshold is given. Unrelated individuals are persons living alone or with non-relatives only.
Source: U.S. Census Bureau web site: <http://www.census.gov/hhes/poverty/threshld.html>.

In addition to the poverty thresholds published annually by the Census Bureau, the Department of Health

[18] The official poverty statistics are based upon data from the Current Population Survey which does not interview persons in Puerto Rico, thus those living there are excluded from the official poverty statistics. The Current Population Survey is a household survey and thus persons who are homeless and not living in shelters are not included in the poverty statistics; also excluded are armed forces personnel living on military bases.

[19] The CPI-U price deflator, introduced in 1983, uses a rental-equivalence rather than an asset approach to measuring the value of housing and results in lower poverty rates than one based on an asset-based price deflator. An experimental price deflator (CPI-U-X1) was developed by the Bureau of Labor Statistics as a measure of the all-items index using an estimate of rental equivalence from 1967-82.

and Human Services issues annual poverty guidelines—which are a simplified version of the poverty thresholds—for use in administering and determining the eligibility for certain federal programs (e.g., Head Start, Food Stamp Program, National School Lunch Program, and Low-Income Home Energy Assistance Program). Poverty guidelines apply to the year that they are issued and only reflect price changes through the prior year (i.e., the Department of Health and Human Services poverty guidelines issued in a given year are approximately equal to the Census Bureau's poverty threshold for the prior year).

In September 1998, the U.S. Census Bureau reported[20] that the number of poor people in the United States in 1997 was 35.6 million (or 13.3 percent of the population). The 1997 poverty rate was not statistically different from the pre-recessionary rate in 1989. Real (inflation-adjusted) median household income was US$37,005 in 1997, not statistically different from its 1989 pre-recessionary peak of US$37,303. In 1997, 41 percent of the poor, or 14.6 million people, were "severely poor," that is, they had a total family income less than one-half of their poverty threshold. In addition, there were 12.3 million people who were "near poor," that is, their income was 100-125 percent of their poverty threshold. Further, the income deficit of families in poverty (i.e., the dollar difference between the family's income and its poverty threshold) averaged US$6,602 in 1997. In many ways, poverty is inherently a household (or family) concept, since household (family) members share most common consumption expenditures (including shelter) and also usually pool income for the common welfare. The table below presents the poverty status of people in the United States by family relationship[21] over the period 1989-1997.

Poverty Status of People in the United States by Family Relationship, 1989-1997
(numbers in thousands; people as of March the following year)

	-----------All People-----------			-------------------------People in Families-----------------------------						----Unrelated Individuals----		
				----------All Families--------			--Female Head/No Husband--					
		Below Poverty Level			Below Poverty Level			Below Poverty Level			Below Poverty Level	
Year	Total	Number	Percent	Total	Number	Percent	Total	Number	Percent	Total	Number	Percent
1997	268,480	35,574	13.3	225,369	26,217	11.6	38,412	13,494	35.1	41,672	8,687	20.8
1996	266,218	36,529	13.7	223,955	27,376	12.2	38,584	13,796	35.8	40,727	8,452	20.8
1995	263,733	36,425	13.8	222,792	27,501	12.3	38,908	14,205	36.5	39,484	8,247	20.9

[20] Joseph Dalaker and Mary Naifeh, *Poverty in the United States: 1997*, U.S. Bureau of the Census, Current Population Reports, Series P60-201 (Washington: U.S. Government Printing Office, 1998). Subsequent to the drafting of this study, the U.S. Bureau of the Census released poverty and income statistics for 1998; see Joseph Dalaker, *Poverty in the United States: 1998*, U.S. Bureau of the Census, Current Population Reports, Series P60-207 (Washington: U.S. Government Printing Office, 1999) issued in September 1999 and available on the Bureau of the Census web site at: <http://www.census.gov/hhes/www/povty98.html>.

[21] The term "family" refers to a group of two or more persons related by birth, marriage, or adoption who reside together; all such persons are considered as members of one family. Two or more people living in the same household who are related to one another, but are not related to the householder (head of household), form an "unrelated subfamily." Since 1980, "unrelated subfamilies" have been excluded from the count of families and family members and have been reported separately from "people in families" and "unrelated individuals."

1994	261,616	38,059	14.5	221,430	28,985	13.1	37,253	14,380	38.6	38,538	8,287	21.5
1993	259,278	39,265	15.1	219,489	29,927	13.6	37,861	14,636	38.7	38,038	8,388	22.1
1992	256,549	38,014	14.8	217,936	28,961	13.3	36,446	14,205	39.0	36,842	8,075	21.9
1991	251,179	35,708	14.2	212,716	27,143	12.8	34,790	13,824	39.7	36,839	7,773	21.1
1990	248,644	33,585	13.5	210,967	25,232	12.0	33,795	12,578	37.2	36,056	7,446	20.7
1989	245,992	31,528	12.8	209,515	24,066	11.5	32,525	11,668	35.9	35,185	6,760	19.2

Source: Joseph Dalaker and Mary Naifeh, *Poverty in the United States: 1997*, U.S. Bureau of the Census, Current Population Reports, Series P60-201 (Washington: U.S. Government Printing Office, 1998), Table C-1, p. C2.

The poverty rate varies by age, race and ethnicity, work experience, family relationship and composition, nativity, and region of the country, among others. In 1997, for example, it was 19.9 percent for all children under 18 years of age, 10.9 percent for adults 18 to 64 years of age, and 10.5 percent for persons age 65 and over. Persons in families (poverty rate of 11.6 percent) were less likely to be poor in 1997 than those in unrelated subfamilies (poverty rate of 46.5 percent) or unrelated individuals (poverty rate of 20.8 percent). While the poverty rate for whites was 11.0 percent in 1997, it was 26.5 percent for blacks, 27.1 percent for those of Hispanic origin, and 14.0 percent for those of Asian and Pacific Islander origin. The poverty rate inside central cities of metropolitan areas was 18.8 percent in 1997, compared to a rate of 9.0 percent for persons inside metropolitan areas but outside central cities.

In the early 1980s, the Census Bureau began examining how government noncash benefits affect poverty and how taxes affect measurement of the income distribution. The 1997 Census poverty report provides estimates of poverty rates based on a number of alternative definitions of income applied to the same unchanged set of poverty thresholds. For example, using an alternative definition of income which more closely approaches the notion of disposable income and adds the value of means-tested noncash transfers (e.g., food stamps, housing, and medicaid) to net post-tax cash income from private and government sectors, the report found that the poverty rate would be 10.0 percent (or 26.9 million poor people) in 1997.[22] As of 1999, the Census Bureau is no longer publishing those alternative-income-definition figures.[23]

Like other important economic indicators, poverty thresholds are evaluated periodically to determine if they are still serving their intended purpose and whether they can be improved. At the request of Congress, the National Research Council of the National Academy of Sciences (NAS) established a Panel on Poverty and Family Assistance to address concerns about weaknesses in the current official poverty measure for

[22] See Joseph Dalaker and Mary Naifeh (eds.), *Poverty in the United States: 1997*, U.S. Bureau of the Census, Current Population Reports, Series P60-201 (Washington: U.S. Government Printing Office, 1998), pp. xiii and B1-B3.

[23] For estimates of poverty based on a set of consistent changes applied to both the income definitions and the poverty thresholds, see Kathleen Short, Thesia Garner, David Johnson, and Patricia Doyle, *Experimental Poverty Measures: 1990 to 1997*, U.S. Census Bureau, Current Population Reports, Consumer Income, Series P60-205 (Washington: U.S. Government Printing Office, 1999).

the United States. The panel's report,[24] issued in the Spring of 1995, made several observations on the weaknesses in the definition of the thresholds and income used in the current measure and proposed that (a) official U.S. poverty thresholds should represent a dollar amount for food, clothing, and shelter (including utilities), and a small additional amount to allow for other common, everyday needs (e.g., household supplies, personal care, and nonwork-related transportation), based on a reference family type (two adults and two children) using Consumer Expenditure Survey data, adjusted for family size and composition and for geographical differences in the cost of housing; (b) family resources should be defined as money income from all sources, plus the value of near-money benefits that are available to buy goods and services (e.g., food stamps, subsidized housing, school lunches, and home energy assistance), and minus expenses that divert money from the purchase of goods and services (e.g., income taxes, social security payroll taxes, child care and other work-related expenses, child support payments to another household, and household contributions toward the costs of medical care and health insurance premiums); and (c) the Survey of Income and Program Participation (SIPP) should replace the March income supplement to the Current Population Survey (CPS) and become the basis for official income and poverty statistics and that the Consumer Expenditure Survey should be used to improve poverty measurement. The U.S. Census Bureau released a report[25] in June 1999 which provides information regarding the implications of many of the NAS panel's recommendations, but makes no recommendations on which new approaches should be adopted.

For several decades, the U.S. Bureau of Labor Statistics (BLS) has developed operational definitions and conducted studies of low-wage workers and the "working poor," using the same data used by the Census Bureau in their poverty reports. In 1987, BLS modified the definition of low-wage workers that had been used in prior studies of labor market hardship faced by low-wage workers (full-time, year-round workers whose yearly earnings fell below the federal minimum hourly wage multiplied by 2,000) to take account of the fact that many of the working poor faced unemployment and a declining real minimum wage.[26] The new definition adopted by BLS for low-wage workers was for persons who worked or sought work for 27 weeks or more during the year and whose average weekly earnings fell below the 1967-87 average minimum wage, adjusted for inflation, and multiplied by 40 (i.e., a 40 hour workweek). If a low-wage worker's income fell below the poverty line, the worker was termed "working poor."

---

[24] Constance F. Citro and Robert T. Michael, *Measuring Poverty: A New Approach* (Washington: National Academy Press, 1995), p. 11.

[25] Kathleen Short, Thesia Garner, David Johnson, and Patricia Doyle, *Experimental Poverty Measures: 1990 to 1997*, U.S. Census Bureau, Current Population Reports, Consumer Income, Series P60-205 (Washington: U.S. Government Printing Office, 1999).

[26] See Bruce W. Klein and Philip L. Rones, "A Profile of the Working Poor," *Monthly Labor Review* (October 1989), pp. 3-13.

The most recent BLS analysis examined the working poor in 1996.[27] The U.S. Bureau of the Census reported that 36.5 million persons (or 13.7 percent of the population) lived at or below the official poverty level in 1996. Although most of the Nation's poor were children and adults who were not in the labor force, 1 in 5 (or 7.4 million persons) were classified as working poor who had spent at least 27 weeks in the labor force working or looking for work, but whose income fell below the official poverty threshold. The poverty rate for all persons in the labor force for at least 27 weeks was 5.8 percent in 1996. The majority of the working poor (58 percent) worked full-time. Among persons in the labor force for 27 weeks or more, the poverty rate for those employed full-time was 4.1 percent compared with 12.4 percent for part-time workers.

During 1996, nearly three-fourths of the working poor who worked during the year were employed in one of the following three occupational groups: service; technical, sales, and administrative support; and operators, fabricators and laborers; the poverty rates for these occupational groups were 12.3, 4.3, and 7.8 percent, respectively. Although the total number of men in these occupations outnumbered women by 3 to 1, the poverty rate for women was 3 percentage points higher (10.1 versus 7.1 percent). Similarly, while three-fourths of the working poor in these occupations were white, their poverty rate was 4.5 percentage points lower than that for blacks (7.1 versus 11. 6 percent).

By industrial division,[28] about 92 percent of the working poor who worked during 1996 were employed in services (34.3 percent), wholesale and retail trade (31.7 percent), manufacturing (10.6 percent), construction (9.1 percent), or agriculture (6.2 percent). For the working poor in manufacturing (748,000), about half were employed in the production of durable goods and half employed in the production of nondurable goods. Over half of the working poor employed in nondurable goods production were employed in the apparel (108,000) or the food and kindred products (96,000) industries. The poverty rate for workers in the labor force for 27 weeks or more and with work experience in the apparel industry was 10.7 percent in 1996, over three-times that for all manufacturing (3.5 percent) and about twice that for all industries (5.5 percent); the corresponding poverty rate for those in the footwear, excluding rubber and plastic industry was 1.3 percent (1,000 workers under the poverty line) and for those in the other rubber products, plastics, footwear, and belting industry was 2.0 percent (or 4,000 workers).

MEETING WORKERS' NEEDS

In the United States, official poverty lines, which are adjusted annually for inflation, establish income thresholds that indicate a level of income below which may be insufficent to meet the basic needs of persons

---

[27] See Samantha Quan, *A Profile of the Working Poor, 1996,* Report 918 (Washington: Bureau of Labor Statistics, U.S. Department of Labor, December 1997).

[28] This discussion is based upon an unpublished tabulation, "Persons with work experience during the year by detailed industry of longest job held and poverty status, CPS March Supplement 1997," provided by the U.S. Bureau of Labor Statistics.

in a family of a given type and size. Living wage proponents often use the poverty thresholds as a floor in developing proposed living wage levels, i.e., an income that meets basic needs plus some more. The issue is how much more?

The table on the next page compares over the period 1966 to 1998 the annual earnings of a hypothetical worker employed at the federal minimum wage rate (without vacations or overtime for a 8-hour day for 52 weeks) with the annual poverty thresholds for families of size one to four persons as established by the U.S. Bureau of the Census. In ten out of the fourteen years between 1966 and 1979, annual earnings at the established federal minimum rate exceeded the poverty threshold for a family of three persons; in the four other years (1966, 1972-73, and 1977), it exceeded the poverty threshold for a family of two. Over the period 1980 to 1984, annual minimum wage earnings exceeded the poverty threshold for two-person families. From 1985 to 1996, annual

Minimum Wage Earnings and Poverty Thresholds by Family Size, 1966-1998

(in current US$)

Year	Minimum Wage Hourly	Minimum Wage Annually*	---Annual Poverty Threshold for Family of----- One Person	Two Persons	Three Persons	Four Persons
1966	1.25	2,600	1,628	2,107	2,688	3,317
1967	1.40	2,912	1,675	2,166	2,681	3,410
1968	1.60	3,328	1,748	2,262	2,774	3,553
1969	1.60	3,328	1,840	2,383	2,924	3,743
1970	1.60	3,328	1,954	2,625	3,099	3,968
1971	1.60	3,328	2,040	2,633	3,229	4,137
1972	1.60	3,328	2,109	2,724	3,339	4,275
1973	1.60	3,328	2,247	2,895	3,546	4,540
1974	2.00	4,160	2,495	3,211	3,936	5,036
1975	2.10	4,368	2,724	3,608	4,293	5,500
1976	2.30	4,784	2,684	3,711	4,640	5,815
1977	2.30	4,784	3,075	3,951	4,833	6,191
1978	2.65	5,512	3,311	4,249	5,201	6,562
1979	2.90	6,032	3,689	4,725	5,784	7,412
1980	3.10	6,448	4,190	5,363	6,565	8,414
1981	3.35	6,968	4,620	5,917	7,260	9,287
1982	3.35	6,968	4,901	6,281	7,693	9,862
1983	3.35	6,968	5,061	6,483	7,938	10,178
1984	3.35	6,968	5,278	6,762	8,277	10,609
1985	3.35	6,968	5,469	6,998	8,573	10,989
1986	3.35	6,968	5,572	7,138	8,737	11,203
1987	3.35	6,968	5,778	7,397	9,058	11,611
1988	3.35	6,968	6,022	7,704	9,436	12,092
1989	3.35	6,968	6,310	8,076	9,885	12,674
1990	3.80	7,904	6,652	8,509	10,418	13,359
1991	4.25	8,840	6,932	8,865	10,860	13,924
1992	4.25	8,840	7,143	9,137	11,188	14,335
1993	4.25	8,840	7,363	9,414	11,522	14,763
1994	4.25	8,840	7,547	9,551	11,621	15,141
1995	4.25	8,840	7,763	9,933	12,158	15,569
1996	4.75	9,880	7,995	10,233	12,516	16,036
1997	5.15	10,712	8,183	10,473	12,802	16,400
1998	5.15	10,712	8,316	10,634	13,003	16,660

Note: * an extreme upper bound which assumes a person works at the hourly minimum wage 8 hours a day, 5 days a week for 52 weeks with no overtime or vacations, i.e., a total of 2080 hours a year.
Sources: U.S. Department of Labor, Wage and Hour Division; U.S. Census Bureau.

minimum wage earnings exceeded only the poverty threshold for one person. With the increase in the minimum wage in 1997, annual earnings at the minimum wage level now again exceed the poverty threshold for a two-person family.

Another way to view the poverty thresholds is to examine the full-time hourly wage rates needed to exceed them and how those wage rates compare to the minimum wage. The table below presents such a comparison for the 1997 and 1998 poverty thresholds.

Estimated Hourly Wage of a Full-Time Worker at the Poverty Threshold, by Family Size, 1997-98

Family Size	1997 Poverty Threshold	Hourly Wage	Minimum Wages	1998 Poverty Threshold	Hourly Wage	Minimum Wages
1	US$8,183	US$4.10	0.80	US$8,316	US$4.16	0.81
2	10,473	5.24	1.02	10,634	5.32	1.03
3	12,802	6.41	1.24	13,003	6.50	1.26
4	16,400	8.20	1.59	16,660	8.33	1.62
5	19,380	9.69	1.88	19,680	9.84	1.91
6	21,886	10.95	2.13	22,228	11.11	2.16
7	24,802	12.41	2.41	25,257	12.63	2.45
8	27,593	13.80	2.68	28,166	14.08	2.73
9 or more	32,566	16.29	3.16	33,339	16.67	3.24

Note: The hourly wage is estimated as the annual poverty threshold divided by 2000 hours (8 hours a day, 5 days a week, 50 weeks a year, assuming two-weeks time-off). Minimum wages is the estimated hourly wage at the poverty threshold divided by the current federal minimum wage of US$5.15 per hour.

A recent OECD report[29] noted, "Several OECD countries have experienced a rise in earnings inequality and/or a widening of the gap in income between rich and poor over the last decade or so. This has led to a resurgence of interest in the links between employment growth, low pay and poverty." The movement to enact living wage proposals in the United States may have been motivated, in part, by the 12 percent decline in real average hourly earnings in the total private nonagricultural economy between 1973 and 1997,[30] and the 20 percent decrease in the real value of the U.S. minimum wage from 1979 to 1997.[31] In many ways, the main arguments the early supporters gave for establishing minimum wage laws in the United States during the early part of this century are very similar to those of today's proponents of a living wage: a person working at a full-time job ought to be able to provide a decent standard of living for

[29] Organization for Economic Cooperation and Development (OECD), *Employment Outlook, June 1998* (Paris:OECD, 1998), p. 31.

[30] Council of Economic Advisers, *Economic Report of the President, 1999* (Washington: U.S. Government Printing Office, February 1999), Table B-47, p. 382.

[31] Organization for Economic Cooperation and Development (OECD), *Economic Outlook, June 1998* (Paris: OECD, 1998), p. 40.

themselves and their family.

In the 1990s, the living wage movement in the United States has concentrated on municipal living wage proposals that require private firms that are awarded large service contracts by a municipality or receive substantial financial assistance in the form of grants, loans, tax abatements, or other economic development subsidies from a city or county government to pay a "living wage" that is higher than current federal and state minimum wage levels. In some cases, city government employees are also covered by living wage ordinances. Baltimore was the first city to implement a living wage ordinance for service contractors, doing so in 1994. Since then, over 20 other cities have enacted living wage ordinances and other cities are considering similar proposals.[32] See the table below for a summary of these initiatives.

Most of the living wage ordinances establish a dollar-level threshold on contracts or subsidies covered and in some cases explicitly specify the type of low-wage workers covered (e.g., janitors, clerical, food services, parking attendants, security, temporary workers, etc.). The wage levels mandated by these municipal ordinances range from US$6.25 to US$10.75 an hour.

! In most cases, the level of the living wage is a wage that would allow a worker to support a family (usually of three or four) at or above the official U.S. poverty level. For example, Boston requires a wage of US$8.23 an hour (in 1998) which is the hourly pay rate that would yield an annual income equal to the federal poverty line for a family of four.

! In other cases, the living wage level is set as a multiple of a poverty threshold for a family of 3 or 4, or as a multiple of the federal minimum wage rate.

! In most cases, the living wage is indexed to a local price index to adjust for inflation.

! Increasingly, living wage ordinances are incorporating additional requirements to that of a living wage, such as health benefits, vacation days, community hiring goals, public disclosure, community advisory boards, environmental standards, and language that supports union organizing. For example, some ordinances require firms to pay more (usually about US$1 an hour more) if they do not provide health insurance.

In addition to municipal legislative initiatives, a number of groups have made living wage calculations for various states and cities within the United States. These groups include the Association of Community Organizations for Reform Now (ACORN), National Priorities Project, Jobs With Justice, the Los Angeles

---

[32] ACORN (Association of Community Organizations for Reform Now) web sites: <http://www.acorn.org> and <http://www.livingwagecampaign.org>. For a more detailed account of the municipal living wage movements in the United States, see Robert Pollin and Stephanie Luce, *The Living Wage: Building a Fair Economy* (New York: The New Press, 1998). See also, Selena Spain and Jean Wiley, "The Living Wage Ordinance: A First Step in Reducing Poverty," *Clearinghouse Review*, Vol. 32, Nos. 5-6 (September-October 1998), pp. 252-267.

Living Wage Coalition, the New Party, the Preamble Collaborative, the Peace and Justice Center, and Wider Opportunities for Women (WOW). Estimates of living wages by these groups vary significantly, from US$7 to US$16 an hour.

Hourly Living Wage Rates
for Employees of Certain Firms Receiving Public Service Contracts, Tax Abatements, and Other Subsidies from Cities and Counties in the United States

State and City or County	Date	Rate and Coverage
Arkansas		
Little Rock	pending	
Arizona		
Tucson	1999	US$8.00–city minimum wage.
California		
Hayward	1999	US$8.00 with health insurance, US$9.25 without health insurance; adjusted annually with an area cost of living index; includes 12 paid days off a year–city service contracts; also applies to city employees.
Los Angeles	1997	US$7.25 (1997), US$7.39 (1998), US$8.32 (1999) with health insurance; US$8.50 (1997), US$8.64 (1998), US$9.46 (1999) without health insurance; indexed to the cost of living; includes 12-days paid vacation a year–city service contracts and subsidies.
Marin County	pending	
Oakland	1998	US$8.00 (1998), US$8.35 (1999) with health insurance; US$9.25 (1998), US$9.60 (1999) without health insurance; adjusted annually using the Bay Region Consumer Price Index; includes 12 paid days off a year–city service contracts and subsidies.
Pasadena	1998	US$7.25 with health insurance, US$8.50 without health insurance–city service contracts; also applies to city employees.
San Jose	1998	US$9.50 with health insurance, US$10.75 without health insurance–city service contracts.
	1991	union wage scale (prevailing wage ordinance)–city service contracts.
San Francisco	pending	
Santa Clara County	1995	US$10.00 plus health insurance–tax abatements and subsidies.
West Hollywood	1997	US$7.25 with health benefits, US$8.50 without health benefits–city service contracts.
Colorado		
Denver	pending	US$7.73 (proposed)–city minimum wage and subsidies.
Connecticut		
New Haven	1997	US$7.43 (wage equivalent to the poverty line for a family of 4) to be increased to 120% of the poverty line over 5 years; first consideration to community hiring halls–city service contracts.
Florida		
Miami–Dade County	1999	US$8.56 with health insurance, US$9.81 without health insurance–city service contracts; also applies to county employees.
Illinois		
Chicago	1998	US$7.60–city service contracts.
Cook County	1998	US$7.60–city service contracts.
Indiana		
Gary	1991	prevailing wage plus complete health care package–tax abatements and subsidies.
South Bend	pending	
Iowa		
Des Moines	1988; 1996	US$7.00 (1988) city-funded urban renewal projects; set goal of US$9.00, including benefits (1996).
Kansas		
Manhattan	pending	
Louisiana		
New Orleans	pending	US$1.00 higher than the federal rate (proposed)–city minimum wage.
Maryland		
Baltimore	1994	US$6.10 (1994) increased in steps to US$7.70 (1998)–city service contracts.
Montgomery County	pending	US$9.00 with health benefits, US$10.44 without health benefits (proposed).
State of Maryland	pending	US$6.60 (1996), US$7.10 (1997), US$7.70 (1998) for contract cleaners of the state-owned World Trade Center in Baltimore.
Massachusetts		
Boston	1997; 1998	US$7.49 (1997),US$8.23 (1998); poverty line for family of 4, indexed annually to the higher of 110% of state minimum wage or the adjusted poverty guideline–city service contracts, subsidies, and community hiring.
Cambridge	1999	US$10.00; indexed annually to area consumer price index–city service contracts; also includes city employees.
Hampshire County	pending	US$7.00 with health benefits, US$8.50 without health benefits–all county employees (proposed).
Somerville	1999	US$8.35 (poverty guidelines for a family of 4, adjusted annually in accordance with poverty guidelines)–city service contracts; also covers city employees.
Michigan		
Detroit	1998	US$8.35 with health insurance (federal poverty line for family of 4), US$10.44 without health insurance (125% of federal poverty line)–city service contracts and subsidies.
Minnesota		
Duluth	1997	at least 90% of employees must be paid US$6.50 with health insurance or US$7.25 without health insurance–tax abatements and subsidies.
Minneapolis	1997	US$8.83 (1999); 110% of federal poverty line for a family of 4, indexed for inflation; 60 percent of the jobs must go to city residents–tax abatements and subsidies.
St. Paul	1997	US$8.03 with health insurance (100% of federal poverty line for a family of 4; indexed for inflation) or US$8.83 without health insurance (110% of federal poverty line for a family of 4; indexed for inflation) in 1999; at least 60% of the jobs must go to city residents–tax abatements and subsidies.
Missouri		
St. Louis	pending	US$6.25 (1997), US$6.50 (1998), US$6.75 (1999), and increases of US$0.15 per year thereafter (proposed)–city service contracts and subsidies.
Montana		
Missoula	pending	US$8.00 (proposed)—municipal employees and workers whose employers get grants or other assistance from the city.

II-189

Hourly Living Wage Rates
for Employees of Certain Firms Receiving Public Service Contracts, Tax Abatements, and Other Subsidies from Cities and Counties in the United States–continued

State and City or County	Date	Rate and Coverage
New Jersey		
Hudson County	1999	US$7.73 (150% of federal minimum wage; must provide health insurance and one week paid vacation)–city service contracts.
Jersey City	1996	US$7.50 plus vacation and health benefits–city service contracts.
New Mexico		
Albuquerque	pending	US$6.50 (proposed)–city minimum wage.
New York		
Albany County	pending	US$8.55 plus US$0.68-US$1.21 for health benefits (proposed)–city service contracts and subsidies.
Buffalo	pending	US$8.50 (proposed)–city contractors and subcontractors.
New York City	1996	“acceptable prevailing wage” determined by City Comptroller–city service contracts.
North Carolina		
Durham	1998	US$7.55 (minimum rate paid to Durham city employees)–city service contracts.
Orange County	pending	rate not yet proposed–service contracts and subsidies.
Ohio		
Cleveland	pending	
Oregon		
Multnomah County	1998	US$9.00 combined value of wage and benefit package, adjusted annually by the Consumer Price Index–city service contracts.
Portland	1996; 1998	US$6.75 (1996), US$7.00 (1997), US$7.50 (1998), US$8.00 (1999), plus basic medical benefits (1998)–city service contracts.
Pennsylvania		
Philadelphia	pending	US$7.90 (proposed)
Pittsburgh	pending	US$7.73 (proposed)–city employees and service contractors.
Texas		
Austin	pending	
Dallas	pending	
Houston	pending	US$6.50 (proposed)–city minimum wage.
San Antonio	1998	US$9.27 for new services and non-durable-goods-manufacturing jobs and US$10.13 for new durable goods manufacturing jobs created as a result of city tax abatement and subsidies; at least 70 percent of such new jobs created must meet or exceed these pay requirements.
Virginia		
Alexandria	pending	
Washington		
Spokane	pending	US$8.25 (proposed)–city minimum wage.
Wisconsin		
Dane County	1999	US$8.03 (federal poverty level for a family of 4)–city service contracts and subsidies; also applies to county employees.
Madison	1999	US$7.91 to be raised in 2-steps to 110% of federal poverty guidelines for family of 4 by January 1, 2001 and continuing thereafter–city service contracts and subsidies; also covers city employees.
Milwaukee	1995	US$6.05 (1995); adjusted annually to poverty line for family of 3, currently US$6.67–certain city service contractors
	1996	US$7.70–all public school employees and contractors
Milwaukee County	1997	US$6.25, indexed to wage increases of county employees–certain county service contractors

Note: Initiatives to increase the state minimum wage are not included in this table.
Sources: ACORN (Association of Community Organizations for Reform Now) web sites, <http://www.livingwagecampaign.org> and <http://www.acorn.org>, and Robert Pollin and Stephanie Luce, *The Living Wage: Building a Fair Economy* (New York: The New Press, 1998), Appendix II.

APPENDIX A

Selected International Labor Organization (ILO) Documents Relevant to Minimum Wage Setting[1]

Preamble of the Constitution of the International Labour Organization

Whereas universal and lasting peace can be established only if it is based upon social justice;

And whereas conditions of labour exist involving such injustice hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled; and an improvement of those conditions is urgently required; as, for example, by the regulation of the hours of work including the establishment of a maximum working day and week, the regulation of the labour supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment the protection of children, young persons and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of equal remuneration for work of equal value, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures;

Whereas also the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries;

The High Contracting Parties, moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world, and with a view to attaining the objectives set forth in this Preamble, agree to the following Constitution of the International Labour Organization:

---

[1] The documents reproduced here were downloaded from the ILO's ILOLEX web site: <http://www.ilolex.ilo.ch>.

Convention No. 26: Minimum Wage-Fixing Machinery Convention, 1928

Convention concerning the Creation of Minimum Wage-Fixing Machinery

(Note: Date of coming into force: 14 June 1930; Place: Geneva; Session of the Conference:11; Date of adoption:16 June 1928; See the ratifications for this Convention.)

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Eleventh Session on 30 May 1928, and

Having decided upon the adoption of certain proposals with regard to minimum wage-fixing machinery, which is the first item on the agenda of the Session, and

Having determined that these proposals should take the form of an international Convention,

adopts the sixteenth day of June of the year one thousand nine hundred and twenty-eight, the following Convention, which may be cited as the Minimum Wage-Fixing Machinery Convention, 1928, for ratification by the Members of the International Labour Organisation in accordance with the provisions of the Constitution of the International Labour Organisation:

Article 1

1. Each Member of the International Labour Organisation which ratifies this Convention undertakes to create or maintain machinery whereby minimum rates of wages can be fixed for workers employed in certain of the trades or parts of trades (and in particular in home working trades) in which no arrangements exists for the effective regulation of wages by collective agreement or otherwise and wages are exceptionally low.

2. For the purpose of this Convention, the term *trades* includes manufacture and commerce.

Article 2

Each Member which ratifies this Convention shall be free to decide, after consultation with the organisations, if any, of workers and employers in the trade or part of trade concerned, in which trades or parts of trades, and in particular in which home working trades or parts of such trades, the minimum wage-fixing machinery referred to in Article 1 shall be applied.

Article 3

1. Each Member which ratifies this Convention shall be free to decide the nature and form of the minimum wage-fixing machinery, and the methods to be followed in its operation:

2. Provided that--

(1) before the machinery is applied in a trade or part of trade, representatives of the employers and workers concerned, including representatives of their respective organisations, if any, shall be consulted as well as any other persons, being specially qualified for the purpose by their trade or functions, whom the competent authority deems it expedient to consult;

(2) the employers and workers concerned shall be associated in the operation of the machinery, in such manner and to such extent, but in any case in equal numbers and on equal terms, as may be determined by national laws or regulations;

(3) minimum rates of wages which have been fixed shall be binding on the employers and workers concerned so as not to be subject to abatement by them by individual agreement, nor, except with general or particular authorisation of the competent authority, by collective agreement.

Article 4

1. Each Member which ratifies this Convention shall take the necessary measures, by way of a system of supervision and sanctions, to ensure that the employers and workers concerned are informed of the minimum rates of wages in force and that wages are not paid at less than these rates in cases where they are applicable.

2. A worker to whom the minimum rates are applicable and who has been paid wages at less than these rates shall be entitled to recover, by judicial or other legalised proceedings, the amount by which he has been underpaid, subject to such limitation of time as may be determined by national laws or regulations.

Article 5

Each Member which ratifies this Convention shall communicate annually to the International Labour Office a general statement giving a list of the trades or parts of trades in which the minimum wage-fixing machinery has been applied, indicating the methods as well as the results of the application of the machinery and, in summary form, the approximate numbers of workers covered, the minimum rates of wages fixed, and the more important of the other conditions, if any, established relevant to the minimum rates.

Article 6

The formal ratifications of this Convention, under the conditions set forth in the Constitution of the International Labour Organisation, shall be communicated to the Director-General of the International Labour Office for registration.

Article 7

1. This Convention shall come into force at the date on which the ratifications of two Members of the International Labour Organisation have been registered by the Director-General.

2. It shall be binding only upon those Members whose ratifications have been registered with the International Labour Office.

3. Thereafter, the Convention shall come into force for any member at the date on which its ratification has been registered with the International Labour Office.

Article 8

As soon as the ratifications of two Members of the International Labour Organisation have been registered with the International Labour Office, the Director-General of the International Labour Office shall so notify all the Members of the International Labour Organisation. He shall likewise notify them of the registration of the ratifications which may be communicated subsequently by other Members of the Organisation.

Article 9

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an act communicated to the Director-General of the International Labour Office for registration. Such denunciation shall not take effect until one year after the date on which it is registered with the International Labour Office.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of five years under the terms provided for in this Article.

Article 10

At least once in ten years, the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall consider the desirability of placing on the agenda of the Conference the question of its revision or modification.

Article 11

The French and English texts of this Convention shall both be authentic.

Recommendation No. 30: Minimum Wage-Fixing Machinery Recommendation, 1928

Recommendation concerning the Application of Minimum Wage-Fixing Machinery

(Note: Date of adoption: 16 June 1928; Place: Geneva; Session of the Conference:11)

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Eleventh Session on 30 May 1928, and

Having decided upon the adoption of certain proposals with regard to minimum wage-fixing machinery, which is the first item on the agenda of the Session, and

Having determined that these proposals should take the form of a Recommendation,

adopts this sixteenth day of June of the year one thousand nine hundred twenty-eight, the following Recommendation, which may be cited as the Minimum Wage-Fixing Machinery Recommendation, 1928, to be submitted to the Members of the International Labour Organisation for consideration with a view to effect being given to it by national legislation or otherwise, in accordance with the provisions of the Constitution of the International Labour Organisation:

A

The General Conference of the International Labour Organisation,

Having adopted a Convention concerning the creation of minimum wage-fixing machinery, and

Desiring to supplement this Convention by putting on record for the guidance of the Members certain general principles which, as present practice and experience show, produce the most satisfactory results,

Recommends that each Member should take the following principles and rules into consideration:

I

(1) In order to ensure that each Member ratifying the Convention is in possession of the information necessary for a decision upon the application of minimum wage-fixing machinery, the wages actually paid and the arrangements, if any, for the regulation of wages should be ascertained in respect of any trade or part of trade to which employers or workers therein request the application of the machinery and furnish information which shows prima facie that no arrangements exist for the effective regulation of wages and that wages are exceptionally low.

(2) Without prejudice to the discretion left to the Members by the Convention to decide in which trades or parts of trades in their respective countries it is expedient to apply minimum wage-fixing machinery, special regard might usefully be had to trades or parts of trades in which women are ordinarily employed.

II

(1) The minimum wage-fixing machinery, whatever form it may take (for instance, trade boards for individual trades, general boards for groups of trades, compulsory arbitration tribunals), should operate by way of investigation into the relevant conditions in the trade or part of trade concerned and consultation with the interests primarily and principally affected, that is to say, the employers and workers in the trade or part of trade, whose views on all matters relating to the

fixing of the minimum rates of wages should in any case be solicited and be given full and equal consideration.

(2)

(a) To secure greater authority for the rates that may be fixed, it should be the general policy that the employers and workers concerned, through representatives equal in number or having equal voting strength, should jointly take a direct part in the deliberations and decisions of the wage-fixing body; in any case, where representation is accorded to one side, the other side should be represented on the same footing. The wage-fixing body should also include one or more independent persons whose votes can ensure effective decisions being reached in the event of the votes of the employers' and workers' representatives being equally divided. Such independent persons should, as far as possible, be selected in agreement with or after consultation with the employers' and workers' representatives on the wage-fixing body.

(b) In order to ensure that the employers' and workers' representatives shall be persons having the confidence of those whose interests they respectively represent, the employers and workers concerned should be given a voice as far as is practicable in the circumstances in the selection of their representatives, and if any organisations of the employers and workers exist these should in any case be invited to submit names of persons recommended by them for appointment on the wage-fixing body.

(c) The independent person or persons mentioned in paragraph (a) should be selected from among men or women recognised as possessing the necessary qualifications for their duties and as being dissociated from any interest in the trade or part of trade concerned which might be calculated to put their impartiality in question.

(d) Wherever a considerable proportion of women are employed, provision should be made as far as possible for the inclusion of women among the workers' representatives and of one or more women among the independent persons mentioned in paragraph (a).

III

For the purpose of determining the minimum rates of wages to be fixed, the wage-fixing body should in any case take account of the necessity of enabling the workers concerned to maintain a suitable standard of living. For this purpose regard should primarily be had to the rates of wages being paid for similar work in trades where the workers are adequately organised and have concluded effective collective agreements, or, if no such standard of reference is available in the circumstances, to the general level of wages prevailing in the country or in the particular locality.

Provision should be made for the review of the minimum rates of wages fixed by the wage-fixing bodies when this is desired by the workers or employers who are members of such bodies.

IV

For effectively protecting the wages of the workers concerned and safeguarding the employers affected against the possibility of unfair competition, the measures to be taken to ensure that wages are not paid at less than the minimum rates which have been fixed should include:

(a) arrangements for informing the employers and workers of the rates in force;

(b) official supervision of the rates actually being paid; and

(c) penalties for infringements of the rates in force and measures for preventing such infringements.

(1) In order that the workers, who are less likely than the employers to have their own means of acquainting themselves

with the wage-fixing body's decisions, may be kept informed of the minimum rates at which they are to be paid, employers might be required to display full statements of the rates in force in readily accessible positions on the premises where the workers are employed, or in the case of home workers on the premises where the work is given out or returned on completion or wages paid.

(2) A sufficient staff of inspectors should be employed, with powers analogous to those proposed for factory inspectors in the Recommendation concerning the general principles for the organisation of systems of inspection adopted by the General Conference in 1923, to make investigations among the employers and workers concerned with a view to ascertaining whether the minimum rates in force are in fact being paid and taking such steps as may be authorised to deal with infringements of the rates. As a means of enabling the inspectors adequately to carry out these duties, employers might be required to keep complete and authentic records of the wages paid by them, or in the case of home workers to keep a list of the workers with their addresses and provide them with wage books or other similar record containing such particulars as are necessary to ascertain if the wages actually paid correspond to the rates in force.

(3) In cases where the workers are not in general in a position individually to enforce, by judicial or other legalised proceedings, their rights to recover wages due at the minimum rates in force, such other measures should be provided as may be considered effective for preventing infringements of the rates.

B

The General Conference of the International Labour Organisation thinks it right to call the attention of Governments to the principle affirmed by Article 41 of the Constitution of the International Labour Organisation that men and women should receive equal remuneration for work of equal value. (Note: This Paragraph refers to the Constitution of the International Labour Organisation prior to its amendment in 1946. In the Constitution as amended in 1946 a reference to equal remuneration appears in the Preamble.)

Cross references: Labour Inspection Recommendation, 1923; Article 41 of the Constitution of the International Labour Organisation.

Convention No. 99: Minimum Wage Fixing Machinery (Agriculture) Convention, 1951

Convention concerning Minimum Wage Fixing Machinery in Agriculture

(Note: Date of coming into force: 23 August 1953; Place: Geneva; Session of the Conference:34; Date of adoption: 28 June 1951; See the ratifications for this Convention.)

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Thirty-fourth Session on 6 June 1951, and

Having decided upon the adoption of certain proposals with regard to minimum wage fixing machinery in agriculture, which is the eighth item on the agenda of the session, and

Having determined that these proposals shall take the form of an international Convention,

adopts the twenty-eighth day of June of the year one thousand nine hundred and fifty-one, the following Convention, which may be cited as the Minimum Wage Fixing Machinery (Agriculture) Convention, 1951:

Article 1

1. Each Member of the International Labour Organisation which ratifies this Convention undertakes to create or maintain adequate machinery whereby minimum rates of wages can be fixed for workers employed in agricultural undertakings and related occupations.

2. Each Member which ratifies this Convention shall be free to determine, after consultation with the most representative organisations of employers and workers concerned, where such exist, to which undertakings, occupations and categories of persons the minimum wage fixing machinery referred to in the preceding paragraph shall be applied.

3. The competent authority may exclude from the application of all or any of the provisions of this Convention categories of persons whose conditions of employment render such provisions inapplicable to them, such as members of the farmer's family employed by him.

Article 2

1. National laws or regulations, collective agreements or arbitration awards may authorise the partial payment of minimum wages in the form of allowances in kind in cases in which payment in the form of such allowances is customary or desirable.

2. In cases in which partial payment of minimum wages in the form of allowances in kind is authorised, appropriate measures shall be taken to ensure that--

(a) such allowances are appropriate for the personal use and benefit of the worker and his family; and

(b) the value attributed to such allowances is fair and reasonable.

Article 3

1. Each Member which ratifies this Convention shall be free to decide, subject to the conditions stated in the following

paragraphs, the nature and form of the minimum wage fixing machinery, and the methods to be followed in its operation.

2. Before a decision is taken there shall be full preliminary consultation with the most representative organisations of employers and workers concerned, where such exist, and with any other persons specially qualified by their trade or functions whom the competent authority deems it useful to consult.

3. The employers and workers concerned shall take part in the operation of the minimum wage fixing machinery, or be consulted or have the right to be heard, in such manner and to such extent as may be determined by national laws or regulations but in any case on a basis of complete equality.

4. Minimum rates of wages which have been fixed shall be binding on the employers and workers concerned so as not to be subject to abatement.

5. The competent authority may permit exceptions to the minimum wage rates in individual cases, where necessary, to prevent curtailment of the opportunities of employment of physically or mentally handicapped workers.

Article 4

1. Each Member which ratifies this Convention shall take the necessary measures to ensure that the employers and workers concerned are informed of the minimum rates of wages in force and that wages are not paid at less than these rates in cases where they are applicable; these measures shall include such provision for supervision, inspection, and sanctions as may be necessary and appropriate to the conditions obtaining in agriculture in the country concerned.

2. A worker to whom the minimum rates are applicable and who has been paid wages at less than these rates shall be entitled to recover, by judicial or other appropriate proceedings, the amount by which he has been underpaid, subject to such limitation of time as may be determined by national laws or regulations.

Article 5

Each Member which ratifies this Convention shall communicate annually to the International Labour Office a general statement indicating the methods and the results of the application of the machinery and, in summary form, the occupations and approximate numbers of workers covered, the minimum rates of wages fixed, and the more important of the other conditions, if any, established relevant to the minimum rates.

Article 6

The formal ratifications of this Convention shall be communicated to the Director-General of the International Labour Office for registration.

Article 7

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Director-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Director-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratifications has been registered.

Article 8

1. Declarations communicated to the Director-General of the International Labour Office in accordance with paragraph 2 of article 35 of the Constitution of the International Labour Organisation shall indicate --
a) the territories in respect of which the Member concerned undertakes that the provisions of the Convention shall be applied without modification;
b) the territories in respect of which it undertakes that the provisions of the Convention shall be applied subject to modifications, together with details of the said modifications;
c) the territories in respect of which the Convention is inapplicable and in such cases the grounds on which it is inapplicable;
d) the territories in respect of which it reserves its decision pending further consideration of the position.

2. The undertakings referred to in subparagraphs (a) and (b) of paragraph 1 of this Article shall be deemed to be an integral part of the ratification and shall have the force of ratification.

3. Any Member may at any time by a subsequent declaration cancel in whole or in part any reservation made in its original declaration in virtue of subparagraph (b), (c) or (d) of paragraph 1 of this Article.

4. Any Member may, at any time at which the Convention is subject to denunciation in accordance with the provisions of Article 10, communicate to the Director-General a declaration modifying in any other respect the terms of any former declaration and stating the present position in respect of such territories as it may specify.

Article 9

1. Declarations communicated to the Director-General of the International Labour Office in accordance with paragraph 4 or 5 of article 35 of the Constitution of the International Labour Organisation shall indicate whether the provisions of the Convention will be applied in the territory concerned without modification or subject to modifications; when the declaration indicates that the provisions of the Convention will be applied subject to modifications, it shall give details of the said modifications.

2. The Member, Members or international authority concerned may at any time by a subsequent declaration renounce in whole or in part the right to have recourse to any modification indicated in any former declaration.

3. The Member, Members or international authority concerned may, at any time at which the Convention is subject to denunciation in accordance with the provisions of Article 10, communicate to the Director-General a declaration modifying in any other respect the terms of any former declaration and stating the present position in respect of the application of the Convention.

Article 10

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an Act communicated to the Director-General of the International Labour Office for registration. Such denunciation should not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 11

1. The Director-General of the International Labour Office shall notify all Members of the International Labour Organisation of the registration of all ratifications and denunciations communicated to him by the Members of the Organisation.

2. When notifying the Members of the Organisation of the registration of the second ratification communicated to him, the Director-General shall draw the attention of the Members of the Organisation to the date upon which the Convention will come into force.

Article 12

The Director-General of the International Labour Office shall communicate to the Secretary-General of the United Nations for registration in accordance with Article 102 of the Charter of the United Nations full particulars of all ratifications and acts of denunciation registered by him in accordance with the provisions of the preceding Articles.

Article 13

At such times as may consider necessary the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall examine the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 14

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides:

a) the ratification by a Member of the new revising Convention shall ipso jure involve the immediate denunciation of this Convention, notwithstanding the provisions of Article 10 above, if and when the new revising Convention shall have come into force;

b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 15

The English and French versions of the text of this Convention are equally authoritative.

Cross reference: Article 35 of the Constitution of the International Labour Organisation

Recommendation No. 89: Minimum Wage Fixing Machinery (Agriculture) Recommendation, 1951

Recommendation concerning Minimum Wage Fixing Machinery in Agriculture

(Note: Date of adoption: 28 June 1951; Place: Geneva; Session of the Conference:34)

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Thirty-fourth Session on 6 June 1951, and

Having decided upon the adoption of certain proposals with regard to minimum wage fixing machinery in agriculture, which is the eighth item on the agenda of the session, and

Having decided that these proposals shall take the form of a Recommendation supplementing the Minimum Wage Fixing Machinery (Agriculture) Convention, 1951,

adopts this twenty-eighth day of June of the year one thousand nine hundred and fifty-one, the following Recommendation, which may be cited as the Minimum Wage Fixing Machinery (Agriculture) Recommendation, 1951:

The Conference recommends that each Member should apply the following provisions as rapidly as national conditions allow and report to the International Labour Office as requested by the Governing Body concerning the measures taken to give effect thereto.

I

1. For the purpose of determining minimum rates of wages to be fixed it is desirable that the wage fixing body should in any case take account of the necessity of enabling the workers concerned to maintain a suitable standard of living.

2. Among the factors which should be taken into consideration in the fixing of minimum wage rates are the following: the cost of living, fair and reasonable value of services rendered, wages paid for similar or comparable work under collective bargaining agreements in agriculture, and the general level of wages for work of a comparable skill in other industries in the area where the workers are sufficiently organised.

II

3. Whatever form it may assume, the minimum wage fixing machinery in agriculture should operate by way of investigation into conditions in agriculture and related occupations, and consultation with the parties who are primarily and principally concerned, namely employers and workers, or their most representative organisations, where such exist. The opinion of both parties should be sought on all questions concerning minimum wage fixing and full and equal consideration given to their opinion.

4. To secure greater authority for the rates that may be fixed, in cases where the machinery adopted for fixing minimum wages makes it possible, the workers and employers concerned should be enabled to participate directly and on an equal footing in the operation of such machinery through their representatives, who should be equal in number or in any case have an equal number of votes.

5. In order that the employers' and workers' representatives should enjoy the confidence of those whose interest they respectively represent, in the case referred to in Paragraph 4 above, the employers and workers concerned should have

the right, in so far as circumstances permit, to participate in the nomination of the representatives, and if any organisations of employers and workers exist, these should in any case be invited to submit names of persons recommended by them for appointment on the wage fixing body.

6. In the case where the machinery for minimum wage fixing provides for the participation of independent persons, whether for arbitration or otherwise, these should be chosen from among men or women who are recognised as possessing the necessary qualifications for their duties and who have no such interest in agriculture or in any branch thereof as would give rise to doubt as to their impartiality.

III

7. Provision should be made for a procedure for revising minimum wage rates at appropriate intervals.

IV

8. For effectively protecting the wages of the workers concerned, the measures to be taken to ensure that wages are not paid at less than the minimum rates which have been fixed should include--

(a) arrangements for giving publicity to the minimum wage rates in force, and in particular for informing the employers and workers concerned of these rates in the manner most appropriate to national circumstances;

(b) official supervision of the rates actually being paid; and

(c) penalties for infringements of the rates in force and measures for preventing such infringements.

9. A sufficient number of qualified inspectors, with powers analogous to those provided for in the Labour Inspection Convention, 1947, should be employed; these inspectors should make investigations among the employers and workers concerned with a view to ascertaining whether the wages actually paid are in conformity with the minimum rates in force and, if need be, should take such steps as may be authorised in the case of infringement of the rate fixed.

10. In order to enable the inspectors to carry out their duties efficiently, employers should, where appropriate or necessary in the opinion of the competent authority, be required to keep complete and authentic records of the wages paid by them, and might also be required to issue the workers pay books or similar documents containing the information necessary for verifying whether the wages actually paid correspond to the rates in force.

11. In cases where the workers are not in general in a position individually to enforce, by judicial or appropriate proceedings, their rights to recover wages due at the minimum rates in force, such other measures should be provided as may be considered effective for this purpose.

Convention No. 131: Minimum Wage Fixing Convention, 1970

Convention concerning Minimum Wage Fixing, with Special Reference to Developing Countries

(Note: Date of coming into force: 29 April 1972; Place: Geneva Session of the Conference:54; Date of adoption:22 June 1970; See the ratifications for this Convention.)

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Fifty-fourth Session on 3 June 1970, and

Noting the terms of the Minimum Wage-Fixing Machinery Convention, 1928, and the Equal Remuneration Convention, 1951, which have been widely ratified, as well as of the Minimum Wage Fixing Machinery (Agriculture) Convention, 1951, and

Considering that these Convention have played a valuable part in protecting disadvantaged groups of wage earners, and

Considering that the time has come to adopt a further instrument complementing these Conventions and providing protection for wage earners against unduly low wages, which, while of general application, pays special regard to the needs of developing countries, and

Having decided upon the adoption of certain proposals with regard to minimum wage fixing machinery and related problems, with special reference to developing countries, which is the fifth item on the agenda of the session, and

Having determined that these proposals shall take the form of an international Convention,

adopts the twenty-second day of June of the year one thousand nine hundred and seventy, the following Convention, which may be cited as the Minimum Wage Fixing Convention, 1970:

Article 1

1. Each Member of the International Labour Organisation which ratifies this Convention undertakes to establish a system of minimum wages which covers all groups of wage earners whose terms of employment are such that coverage would be appropriate.

2. The competent authority in each country shall, in agreement or after full consultation with the representative organisations of employers and workers concerned, where such exist, determine the groups of wage earners to be covered.

3. Each Member which ratifies this Convention shall list in the first report on the application of the Convention submitted under article 22 of the Constitution of the International Labour Organisation any groups of wage earners which may not have been covered in pursuance of this Article, giving the reasons for not covering them, and shall state in subsequent reports the positions of its law and practice in respect of the groups not covered, and the extent to which effect has been given or is proposed to be given to the Convention in respect of such groups.

Article 2

1. Minimum wages shall have the force of law and shall not be subject to abatement, and failure to apply them shall make

the person or persons concerned liable to appropriate penal or other sanctions.

2. Subject to the provisions of paragraph 1 of this Article, the freedom of collective bargaining shall be fully respected.

Article 3

The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include--

(a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;

(b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

Article 4

1. Each Member which ratifies this Convention shall create and/or maintain machinery adapted to national conditions and requirements whereby minimum wages for groups of wage earners covered in pursuance of Article 1 thereof can be fixed and adjusted from time to time.

2. Provision shall be made, in connection with the establishment, operation and modification of such machinery, for full consultation with representative organisations of employers and workers concerned or, where no such organisations exist, representatives of employers and workers concerned.

3. Wherever it is appropriate to the nature of the minimum wage fixing machinery, provision shall also be made for the direct participation in its operation of--

(a) representatives of organisations of employers and workers concerned or, where no such organisations exist, representatives of employers and workers concerned, on a basis of equality;

(b) persons having recognised competence for representing the general interests of the country and appointed after full consultation with representative organisations of employers and workers concerned, where such organisations exist and such consultation is in accordance with national law or practice.

Article 5

Appropriate measures, such as adequate inspection reinforced by other necessary measures, shall be taken to ensure the effective application of all provisions relating to minimum wages.

Article 6

This Convention shall not be regarded as revising any existing Convention.

Article 7

The formal ratifications of this Convention shall be communicated to the Director-General of the International Labour Office for registration.

Article 8

1. This Convention shall be binding only upon those Members of the International Labour Organisation whose ratifications have been registered with the Director-General.

2. It shall come into force twelve months after the date on which the ratifications of two Members have been registered with the Director-General.

3. Thereafter, this Convention shall come into force for any Member twelve months after the date on which its ratifications has been registered.

Article 9

1. A Member which has ratified this Convention may denounce it after the expiration of ten years from the date on which the Convention first comes into force, by an Act communicated to the Director-General of the International Labour Office for registration. Such denunciation should not take effect until one year after the date on which it is registered.

2. Each Member which has ratified this Convention and which does not, within the year following the expiration of the period of ten years mentioned in the preceding paragraph, exercise the right of denunciation provided for in this Article, will be bound for another period of ten years and, thereafter, may denounce this Convention at the expiration of each period of ten years under the terms provided for in this Article.

Article 10

1. The Director-General of the International Labour Office shall notify all Members of the International Labour Organisation of the registration of all ratifications and denunciations communicated to him by the Members of the Organisation.

2. When notifying the Members of the Organisation of the registration of the second ratification communicated to him, the Director-General shall draw the attention of the Members of the Organisation to the date upon which the Convention will come into force.

Article 11

The Director-General of the International Labour Office shall communicate to the Secretary-General of the United Nations for registration in accordance with Article 102 of the Charter of the United Nations full particulars of all ratifications and acts of denunciation registered by him in accordance with the provisions of the preceding Articles.

Article 12

At such times as may consider necessary the Governing Body of the International Labour Office shall present to the General Conference a report on the working of this Convention and shall examine the desirability of placing on the agenda of the Conference the question of its revision in whole or in part.

Article 13

1. Should the Conference adopt a new Convention revising this Convention in whole or in part, then, unless the new Convention otherwise provides:

a) the ratification by a Member of the new revising Convention shall ipso jure involve the immediate denunciation of this Convention, notwithstanding the provisions of Article 9 above, if and when the new revising Convention shall have come into force;

b) as from the date when the new revising Convention comes into force this Convention shall cease to be open to ratification by the Members.

2. This Convention shall in any case remain in force in its actual form and content for those Members which have ratified it but have not ratified the revising Convention.

Article 14

The English and French versions of the text of this Convention are equally authoritative.

Cross reference: Article 22 of the Constitution of the International Labour Organisation

Recommendation No. 135: Minimum Wage Fixing Recommendation, 1970

Recommendation concerning Minimum Wage Fixing, with Special Reference to Developing Countries

(Note: Date of adoption: 22 June 1970; Place: Geneva; Session of the Conference:54)

The General Conference of the International Labour Organisation,

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met in its Fifty-fourth Session on 3 June 1970, and

Noting the terms of the Minimum Wage-Fixing Machinery Recommendation, 1928, the Minimum Wage Fixing Machinery (Agriculture) Recommendation, 1951, and the Equal Remuneration Recommendation, 1951, which contain valuable guidelines for minimum wage fixing bodies, and

Considering that experience in more recent years has emphasised the importance of certain additional considerations relating to minimum wage fixing, including that of adopting criteria which will make systems of minimum wages both an effective instrument of social protection and an element in the strategy of economic and social development, and

Considering that minimum wage fixing should in no way operate to the prejudice of the exercise and growth of free collective bargaining as a means of fixing wages higher than the minimum, and

Having decided upon the adoption of certain proposals with regard to minimum wage fixing machinery and related problems, with special reference to developing countries, which is the fifth item on the agenda of the session, and

Having determined that these proposals shall take the form of a Recommendation,

adopts this twenty-second day of June of the year one thousand nine hundred and seventy, the following Recommendation, which may be cited as the Minimum Wage Fixing Recommendation, 1970:

I. Purpose of Minimum Wage Fixing

1. Minimum wage fixing should constitute one element in a policy designed to overcome poverty and to ensure the satisfaction of the needs of all workers and their families.

2. The fundamental purpose of minimum wage fixing should be to give wage earners necessary social protection as regards minimum permissible levels of wages.

II. Criteria for Determining the Level of Minimum Wages

3. In determining the level of minimum wages, account should be taken of the following criteria, amongst others:

(a) the needs of workers and their families;

(b) the general level of wages in the country;

(c) the cost of living and changes therein;

(d) social security benefits;

(e) the relative living standards of other social groups;
(f) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

III. Coverage of the Minimum Wage Fixing System

4. The number and groups of wage earners who are not covered in pursuance of Article 1 of the Minimum Wage Fixing Convention, 1970, should be kept to a minimum.

5. (1) The system of minimum wages may be applied to the wage earners covered in pursuance of Article 1 of the Convention either by fixing a single minimum wage of general application or by fixing a series of minimum wages applying to particular groups of workers.

(2) A system based on a single minimum wage--

(a) need not be incompatible with the fixing of different rates of minimum wages in different regions or zones with a view to allowing for differences in costs of living;

(b) should not impair the effects of decisions, past or future, fixing minimum wages higher than the general minimum for particular groups of workers.

IV. Minimum Wage Fixing Machinery

6. The minimum wage fixing machinery provided for in Article 4 of the Convention may take a variety of forms, such as the fixing of minimum wages by--

(a) statute;

(b) decisions of the competent authority, with or without formal provision for taking account of recommendations from other bodies;

(c) decisions of wages boards or councils;

(d) industrial or labour courts or tribunals; or

(e) giving the force of law to provisions of collective agreements.

7. The consultation provided for in paragraph 2 of Article 4 of the Convention should include, in particular, consultation in regard to the following matters:

(a) the selection and application of the criteria for determining the level of minimum wages;

(b) the rate or rates of minimum wages to be fixed;

(c) the adjustment from time to time of the rate or rates of minimum wages;

(d) problems encountered in the enforcement of minimum wage legislation;

(e) the collection of data and the carrying out of studies for the information of minimum wage fixing authorities.

8. In countries in which bodies have been set up which advise the competent authority on minimum wage questions,

or to which the government has delegated responsibility for minimum wage decisions, the participation in the operation of minimum wage fixing machinery referred to in paragraph 3 of Article 4 of the Convention should include membership of such bodies.

9. The persons representing the general interests of the country whose participation in the operation of minimum wage fixing machinery is provided for in Article 4, paragraph 3, subparagraph (b), of the Convention should be suitably qualified independent persons who may, where appropriate, be public officials with responsibilities in the areas of industrial relations or economic and social planning or policy-making.

10. To the extent possible in national circumstances, sufficient resources should be devoted to the collection of statistics and other data needed for analytical studies of the relevant economic factors, particularly those mentioned in Paragraph 3 of this Recommendation, and their probable evolution.

V. Adjustment of Minimum Wages

11. Minimum wage rates should be adjusted from time to time to take account of changes in the cost of living and other economic conditions.

12. To this end a review might be carried out of minimum wage rates in relation to the cost of living and other economic conditions either at regular intervals or whenever such a review is considered appropriate in the light of variations in a cost-of-living index.

13. (1) In order to assist in the application of Paragraph 11 of this Recommendation, periodical surveys of national economic conditions, including trends in income per head, in productivity and in employment, unemployment and underemployment, should be made to the extent that national resources permit.

(2) The frequency of such surveys should be determined in the light of national conditions.

VI. Enforcement

14. Measures to ensure the effective application of all provisions relating to minimum wages, as provided for in Article 5 of the Convention, should include the following:

(a) arrangements for giving publicity to minimum wage provisions in languages or dialects understood by workers who need protection, adapted where necessary to the needs of illiterate persons;

(b) the employment of a sufficient number of adequately trained inspectors equipped with the powers and facilities necessary to carry out their duties;

(c) adequate penalties for infringement of the provisions relating to minimum wages;

(d) simplification of legal provisions and procedures, and other appropriate means of enabling workers effectively to exercise their rights under minimum wage provisions, including the right to recover amounts by which they may have been underpaid;

(e) the association of employers' and workers' organisations in efforts to protect workers against abuses;

(f) adequate protection of workers against victimisation.

Cross references: Minimum WageFixing Machinery Recommendation, 1928; Minimum Wage Fixing Machinery (Agriculture) Recommendation, 1951; Equal Remuneration Recommendation, 1951.

APPENDIX B

Survey of the Literature and Other Sources of Information on the Extent to Which Workers' Wages Meet Their Basic Needs

Early History

The current attempts to define a wage rate that would provide an "acceptable" standard of living which is above the minimum required for biological existence go back at least to the Middle Ages. The origin of the concept of a "fair and decent" wage was already present in the Middle Ages where wages and prices were not market determined but administratively set in a manner consistent with community values. Since this assessment about fair wages and prices was made "under the immediate and powerful influence of moral and religious teaching,"[1] it incorporated the dominant ethical ideals of the time.

The concept that there is some wage level above biological subsistence that is nevertheless "necessary" can be found in the earliest of economic writings. Adam Smith stated in his 1789 treatise *Wealth of Nations*:[2]

> By necessaries I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without...Under necessaries therefore, I comprehend, not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people.

In the United States and the United Kingdom, skilled workers and their unions played a major role in the development of the living wage concept during the nineteenth century.[3] In some countries, religious leaders also played an important role. Joseph Cook, a minister, delivered several lectures in 1877 and 1878 that made a distinction between "starvation wages" and "natural wages" or "just wages." He determined what he thought were the necessary requirements for a family and specified the yearly income needed to achieve

---

[1] John Ryan, *A Living Wage: Its Ethical and Economic Aspects* (New York: MacMillan, 1906, third printing 1912; reprinted edition, New York: Arno and the New York Times, 1971), p. 99.

[2] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations,* fifth edition of 1789, edited by Edwin Cannan (New York: Modern Library, 1937), pp. 821-822.

[3] See Lawrence B. Glickman, *A Living Wage: American Workers and the Making of Consumer Society* (Ithaca, NY: Cornell University Press, 1997), especially pp. 62-66.

that standard of living.[4] The importance of the notion of a living wage in Roman Catholic social thought—especially within Latin America—was epitomized by papal encyclicals Rerum Novarum (1891) and Quadragesimo Anno (1931).[5]

During the first decade of the twentieth century, educators, religious and civic leaders, and philanthropic organizations became interested in determining what the minimum income level was for an minimally acceptable American living standard. The investigators used their own assessment to determine what physical quantities of goods defined a living standard that was acceptable. Family budgets for several different levels of well-being were developed for persons living in selected cities; some of the higher living standards included items such as insurance, savings, vacations, reading material, and cultural expenses. Some of these higher working-class living standards were referred to as a "fair living wage."[6]

In 1906, Father John Ryan published a book entitled *A Living Wage; Its Ethical and Economic Aspects* which argued for a "living wage" that allowed "a decent livelihood for the adult male laborer." Ryan proposed that a living wage would allow income for not only food, clothing, and a five room dwelling, but also education for four or five children, periodicals, recreation, labor union dues, church contributions, and savings for sickness and old age.[7] He determined the dollar value of a living wage by specifying the required dollar expenditures (but not the exact physical quantities) for 17 types of commodities.

Since that time, numerous studies have attempted to determine the income necessary to achieve a "fair" standard of living. These studies have been similar, in that they were based on a living standard higher than mere subsistence and one that would allow for the "development and satisfaction of human attributes." These studies generally specified the items necessary to obtain this standard of living, determined their prices, and calculated the total costs required to obtain those items. The authors gave these income levels various names such as "safe normal living cost," "minimum comfort level," or "fair standard of living." As with the estimates of living wages today, there was never any agreement on specifically what items and what quantities were required in order to obtain an "adequate" living standard. Some of the more significant studies conducted during the early part of this century include those by More (1907),[8] Worcester and

---

[4] Joseph Cook, *Boston Monday Lectures: Labor with Preludes on Current Events* (Boston: Houghton Osgood and Company, 1880).

[5] Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; third printing with corrections, 1993), p. 8.

[6] Gordon M. Fisher, "From Hunter to Orshansky: An Overview of (Unofficial) Poverty Lines in the United States from 1904 to 1965," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1997).

[7] John Ryan, *A Living Wage: Its Ethical and Economic Aspects* (New York: MacMillan, 1906, third printing 1912; reprinted edition, New York: Arno and the New York Times, 1971), pp. 134-136.

[8] Louise Bolard More, *Wage Earners Budgets: A Study of Standards and Costs of Living in New York City* (New York: Henry Holt and Company, 1907).

Worcester (1911-1929),[9] Nearing (1913),[10] Rowntree (1918),[11] Ogburn (1919),[12] the Australian Royal Commission on the Basic Wage (1919-1920),[13] and Marsh (1943).[14]

Using a slightly different approach, Warren and Sydenstricker (1916) studied the budgets of a number of households at different income levels and determined the point at which an income level actually reached the level for an adequate dietary subsistence level.[15] Similarly, Lauck and Sydenstricker (1917) determined the income level below which infant mortality increased significantly.[16] Jones made an early distinction between the poverty-line living standard, which he argued was more appropriate for a family on public assistance, and a "human needs" standard of living, which was more appropriate for working families that were self-supporting.[17]

In 1919, the U.S. Bureau of Labor Statistics (BLS) published a "quantity budget" referred to as "the minimum of health and comfort level" that would allow a government employee with a family of five to live

---

[9] Daisy Lee Worcester, *Grim the Battles: A Semi-Autobiographical Account of the War Against Want in the United States During the First Half of the Twentieth Century* (New York: Exposition Press, 1954). Daisy Lee Worcester and her husband Wood Worcester provided estimates of a "fair standard of living" for the early part of the twentieth century and are notable in that they (1) attempted to determine if children needed to work to attain that level, and (2) used the diet of the federal prison in Atlanta to determine the food component.

[10] Scott Nearing, *Financing the Wage-Earner's Family: A Survey of the Facts Bearing in Income and Expenditure in the Families of American Wage-Earners* (New York: B.W. Huebsch, 1913).

[11] Seebohm Rowntree, *The Human Needs of Labour* (London: T. Nelson & Sons Ltd., 1918).

[12] William Ogburn, "Measurement of the Cost of Living and Wages," *Annals of the American Academy of Political and Social Science*, Vol. 81 (January 1919), pp. 110-122.

[13] Described in Gordon Fisher, "Is There Such a Thing as Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995), pp. 32-33.

[14] Leonard C. Marsh, *Report on Social Security for Canada* (Ottawa: Edmond Cloutier, 1943).

[15] Gordon M. Fisher, "From Hunter to Orshansky: An Overview of (Unofficial) Poverty Lines in the United States from 1904 to 1965," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1997), p. 22.

[16] Jett Lauck and Edgar Sydenstricker, *Conditions of Labor in American Industries: A Summarization of the Results of Recent Investigations* (New York: Funk and Wagnalls, 1917).

[17] Caradog Jones, *Cost of Living Of Representative Working Class Families* (Liverpool: University Press of Liverpool, 1941).

a life characterized by "health and decency."[18] This study was conducted for the U.S. Congressional Joint Commission on Reclassification of Salaries. The budget allowed for food sufficiency; respectable clothing; sanitary housing; medical and dental care; insurance covering death, disability, and fire; occasional movies; street car fares; church contributions; labor dues; a daily newspaper; Christmas gifts; and a minimum of essential sundries; but not for savings, vacations, or books. Two lower living standards were also estimated. The budgets were estimated using a full market basket approach and assumed that there was only one breadwinner in a household and their dwelling was rented. In 1920, BLS estimated a budget for a workingman's family and published the results in a 1920 *Monthly Labor Review* article, which detailed all the items that were thought necessary to achieve this standard of living.[19]

During the Great Depression of the 1930s, the focus of the budget studies undertaken by the U.S. government began to concentrate on "emergency" living standards.[20] While adequate standard of living levels were still estimated, the studies also attempted to determine how reductions in these levels might be made in emergency conditions with the least harm.

In 1945, the Labor and Federal Security Subcommittee of the Committee on Appropriations of the U.S. House of Representatives directed BLS "to find out what it costs a worker's family to live in the large cities of the United States." A Technical Committee was formed which used BLS family expenditures studies conducted between 1929 and 1941 to derive a set of budgets.[21] The Committee attempted to determine budgets in a more "scientific" manner than the earlier market basket approaches which were dependent on the "judgements" of the researcher. For the food and housing portions of the budget, studies of actual budgets were used to determine the income level at which consumers actually purchased what was deemed to be adequate based upon scientific analysis. The nutritional standard for food was based on the 1945 allowances recommended by the National Research Council, but the selection of specific foods to meet these standards was made from a 1941 BLS expenditure survey. In a like manner, specifications for healthful housing were formulated by the American Public Health Association. The balance of the budget was set at a level such that families spent all their income; if there were savings, it was assumed that income was more than was necessary, while if there was dissaving, it was assumed that consumption at that level of income was unacceptable. The estimated budgets provided a full market basket of goods required to attain an "adequate but moderate" living standard—like the previous BLS estimated budgets of the

[18] Bureau of Labor Statistics, "Tentative Quantity-Cost Budget Necessary to Maintain Family of Five in Washington, D.C.," *Monthly Labor Review*, Volume 9, No. 6 (December 1919), pp. 22-29.

[19] Bureau of Labor Statistics, "Minimum Quantity Budget Necessary to Maintain a Worker's Family of Five in Health and Decency," *Monthly Labor Review*, Volume 10, No. 6 (June 1920), pp. 1-18.

[20] Margaret Loomis Stecker, *Quantity Budgets of Goods and Services Necessary for a Basic Maintenance Standard of Living and for Operation Under Emergency Conditions* (Washington: Works Progress Administration, 1936).

[21] U.S. Bureau of Labor Statistics, *Workers' Budgets in the United States: City Families and Single Persons, 1946 and 1947*, BLS Bulletin 927 (Washington: U.S. Government Printing Office, 1948).

1920s—but derived instead from expenditure surveys. The budgets estimated in the 1940s assumed a four-person family (instead of the five-person family used in the 1920s) and were estimated for 34 different cities. Using similar concepts and methodology, a "modest but adequate" standard of living was also estimated for a couple age 65 or older, at March 1946 and June 1947 prices, living in 8 large cities.[22] These budgets were updated annually for price changes between 1946 and 1951.

In 1959, BLS prepared budgets for 20 large cities using a similar methodology, but updated using the BLS's Survey of Consumer Expenditures during the 1950s and price data from 1959.[23] While the food and shelter components continued to be based upon "expert" opinion with regard to the expenditure level necessary to reach this standard as derived from expenditure surveys, the quantities of other items were derived more directly from expenditure surveys, which revealed the income level at which the rate of increase in quantities purchased for various goods began to decline in relation to the rate of change in income, i.e., the point of maximum elasticity, where it was assumed that increasing elasticity indicates increasing urgency of demand and decreasing elasticity indicates decreasing urgency. The average number and kind of items purchased at these expenditure levels were the quantities and qualities specified for the budget. Besides the family budgets, a "modest but adequate" budget was also estimated for a couple 65 or older.[24]

The methodology for determining these budgets was reviewed in 1963, but only minor changes were suggested.[25] In 1966, budget levels for 39 cities were determined using 1960s Surveys of Consumer Expenditure and revised Department of Agriculture food plans.[26] The 1966 budget used a similar methodology as the budgets calculated in the 1940s and 1950s, with minor technical refinements although adjustments were made for changing consumption patterns.

In 1978, the Bureau of Labor Statistics contracted with the Institute for Research on Poverty at the University of Wisconsin to recommend revisions in the Family Budget Program, which had been providing estimates for expenditure levels (or baskets of goods) needed to attain several different levels of living standards since the late 1940s. These baskets had been updated periodically using information from the

[22] U.S. Department of Health, Education and Welfare, Social Security Administration, "A Budget for an Elderly Couple," *Social Security Bulletin* (February 1948), pp. 4-12.

[23] Helen H. Lamale and Margaret S. Stotz, "The Interim City Worker's Family Budget," *Monthly Labor Review* (August 1960), pp. 785-808.

[24] Margaret S. Stotz, "The BLS Interim Budget for a Retired Couple," *Monthly Labor Review* (November 1960), pp. 1141-1157.

[25] U.S. Bureau of Labor Statistics, *Report of the Advisory Committee on Standard Budget Research* (Washington: U.S. Government Printing Office, June 1963).

[26] U.S. Bureau of Labor Statistics, *City Worker's Family Budget: For a Moderate Living Standard*, BLS Bulletin No. 1570-1 (Washington: U.S. Government Printing Office, Autumn 1966).

Consumer Expenditure Survey. By 1980, three different expenditure levels (or standards of living) were estimated. The Institute's report recommended that four levels be estimated (in order of their expenditure level): social minimum standard, lower living standard, prevailing family standard, and social abundance standard.[27] The prevailing family standard was the conceptual descendant of the previous "intermediate budget" and defined a "modest but adequate" living standard or a level that "affords a family [the] full opportunity to participate in contemporary society, and enjoy the basic options it offers." More importantly, the report recommended discontinuing the methodology of specifying the market basket of goods required for a certain living standard, and replacing it with a relative income method, using national expenditure data collected from the Consumer Expenditure Surveys. Under the relative income method, the prevailing family standard was defined as the median expenditure level for a two parent-family of four. Once the overall expenditure level was determined, expenditures by major categories were derived from the Consumer Expenditure Survey based upon how the average household (at that expenditure level) actually spent its income. The report concluded "that the main claimed advantage of lists of quantities of goods and services—that such a lists assure the meeting of authoritatively established needs—was in fact illusory."[28] The report also explored the theoretical and practical possibility of deriving genuine scientific market baskets, but no promising new approach was discovered. The report concluded that the relative income approach was more democratic, since it allowed ordinary people, and not experts, to determine what is needed to attain an adequate living standard.

The recommendations in the Institute's report were never implemented by BLS; the BLS program for calculating budgets was eliminated as part of a general budget reduction in 1982.[29] A final update of the family budgets was published in April 1982, using the established methodology; adjustment factors were provided for different family sizes and different cities.

Besides the BLS program discussed above, there were few other studies of living wage issues in the 1940s and 1950s. In 1962, a report by the Conference on Economic Progress provided income requirements for various standards of living which were above the deprivation level that included a "deprivation-comfort,""comfort-affluence," and "affluent or higher" levels.[30] Within academic circles, Lamale discussed how the concept of income adequacy had changed from 1860 to 1958. She pointed out that the "subsistence" concept used during the period 1860 to 1900 gave way to the "living wage" concept during

---

[27] Harold W. Watts, "Special Panel Suggests Changes in BLS Family Budget Program," *Monthly Labor Review* (December 1980), pp. 3-10.

[28] Harold W. Watts, "Special Panel Suggests Changes in BLS Family Budget Program," *Monthly Labor Review* (December 1980), p. 8.

[29] Bureau of Labor Statistics, "Autumn Urban Family Budgets and Comparative Indexes For Selected Urban Areas," *Department of Labor News*, 82-139 (April 16, 1982).

[30] Conference on Economic Progress, *Poverty and Deprivation In the United States: The Plight of Two-Fifths of a Nation* (Washington: Conference on Economic Progress, April 1962).

the period 1900 to 1935 and eventually to the "social" concept from 1935 to 1958.[31] In 1962, Bourneuf raised the issue of the need to determine a "living wage" that would allow decent housing, good food, medical care, and savings for old age and emergencies.[32]

Recent Studies and Other Sources of Information: An Annotated Bibliography

The following presents an annotated bibliography of a cross-section of recent studies and other sources of information on the issue of a living wage:

ACORN (Association of Community Organizations for Reform Now), Living Wage web sites: <http://www.acorn.org> and <http://www.livingwagecampaign.org>.

> This organization has been at the forefront of the municipal living wage movement in the United States. The web sites provide an up-to-date listing of the status of municipal ordinances and their provisions and responses to arguments against living wage ordinances.

Arthur D. Little, Inc., *Fourteenth Report on the Signatory Companies to the Statement of Principles for South Africa* (Cambridge, MA: Industry Support Unit of Arthur D. Little, 1990).

> Discusses the Statement of Principles for South Africa, a voluntary business code for firms operating in South Africa at that time. The "minimum living level"—calculated by the University of South Africa—and the "household subsistence level"—calculated by the University of Port Elizabeth—use a market basket approach to determine the required wage levels for compliance with the minimum wage requirement that is part of the Statement of Principles.

Calzini, Derek, Jake Odden, Jean Tsai, Shawna Huffman, and Steve Tran, *Nike Inc.: Survey of Vietnamese and Indonesian Domestic Expenditure Levels*, Field Study in International Business, Amos Tuck School, Dartmouth College, November 1997.

> Analyzes the adequacy of NIKE contract factory wages in Indonesia and Vietnam. NIKE workers were interviewed to determine how much they actually spent each month on essential items, which included food, housing, clothing, utilities, communication, and health care. Reported wages were then compared to total expenditures for essential items. The study concluded that NIKE workers in both countries earn wages at or above government-mandated wages, and these wages permitted workers to generate discretionary income in excess of what is required for essential items. In both countries, approximately 40 percent of average reported wages of NIKE workers was available for discretionary expenditures. In Indonesia, the costs of purchasing a typical basket of basic food items were found to be similar to the reported expenditures for food

---

[31] Helen H. Lamale, "Changes In Concepts Of Income Adequacy Over The Last Century," *American Economic Review* (May 1958), pp. 291-299; and discussion by Frank Notestein, pp. 300-302, and Meredith B. Graves, pp.302-304.

[32] Alice Bourneuf, "Comment on Goldsmith 'Low-Income Families and Measures of Inequality'," *Review of Social Economy*, Vol. 20, No. 1 (March 1962), p. 20.

by NIKE workers. In both countries, there are significantly more applicants than factory positions available. The study concludes that NIKE is perceived as an attractive place to work.

Carvalho, Soniya, and Howard White, "Combining the Quantitative and Qualitative Approaches to Poverty Measurement and Analysis," *World Bank Technical Paper,* No. 366 (Washington: World Bank, 1997).

Highlights the key characteristics of the quantitative and qualitative approaches to poverty measurement and analysis, examines the strengths and weaknesses of each approach, and analyzes the potential for combining the two approaches in analytical work on poverty. Concludes that a combination of the two approaches is more desirable than reliance on either approach separately. The quantitative approach defines poverty using income or consumption measures, while the qualitative approach allows the community being studied to define poverty. The two approaches can reach opposite conclusions. For example, although per capita fell between 1963-66 and 1982-84 in two villages in Rajasthan, India, researchers using a qualitative approach concluded that the households were better off, based upon their actual consumption of food types such as vegetables, their possession of items such as shoes and radios, and the availability of education.

Center for Reflection, Education and Action (CREA), *In Whose Interest: Using the Purchasing Power Index to Analyze Plans, Programs and Policies of Industrialization and Development in Haiti* (Hartford, CT: CREA, February 1996).

Presents the results of a market basket survey of basic food items that was conducted in various cities in Haiti during 1992 to 1995. Discusses the adequacy of Haitian wages (both existing and proposed minimum wages) in meeting these basic needs. Discusses the need for wages to provide more than the most basic food needs to reduce malnutrition, infant mortality, illness, retarded mental development, etc. Makes calculations for the minutes of work needed to buy basic food stuffs; uses a purchasing power index methodology. Compares the time required to buy basic food stuffs using actual minimum wages, a lower Tripartite Commission-recommended wage, and two minimums proposed by President Aristide which are higher than the actual minimum. The report suggests other items that need to included in the market basket, but are not included in this study.

Commission for the Verification of Corporate Codes of Conduct (COVERCO), *Maquilas and Cost of Living in Guatemala* (Baltimore: Marianist Brothers and Priests, Office of Justice and Peace, October 1998).

This study provides an overview of the 250 Guatemalan maquilas which employ more than 50,000 workers and yield over US$350 million in revenues. Data on the size distribution of the maquilas are provided. Demographic and wage information is provided for Guatemala's workers. Some of the information comes from official sources and some from interviews performed for the study. Calculations by the Bank of Guatemala are provided for the income level of poverty (*Canasta Básica Vital* - Basic Goods and Services) and the income level of extreme poverty (*Canasta Básica de Alimentos* -Basic Food Basket) for 1994 to 1998, which were made using a basket of goods approach. The study makes no independent calculations. The distribution of incomes earned by maquila workers is provided and compared to these poverty measures. Generally a two-worker family of five can make more than the BFB level of income, but less than that of the BGS; however, a sole breadwinner with a family of five would be living in extreme poverty.

Council on Economic Priorities Accreditation Agency (CEPAA), *Guidance Document for Social ACCOUNTABILITY 8000* (New York: CEPAA, 1998); web site: <http://www.cepaa.org>.

Explains the SA 8000 standard and its implementation, provides examples of methods for verifying compliance, and serves as a handbook for auditors and for companies seeking certification of the standard. The SA 8000 uses a food market basket extrapolation approach. The SA 8000 explicitly states that the food basket must provide 2,100 calories per day. CEPAA's living wage formula adjusts for the number of wage earners in a family unit and allows an additional 10 percent of income for discretionary purposes in addition to the cost of a basic food basket.

Employment Policies Institute, Washington, DC; web site: <http://www.epionline.org>.

Provides information on estimated living wage levels for a large number of states and cities in the United States. Discusses the negative impact living wages may have on low-skilled employees by locking them out of the job market.

Fisher, Gordon M., "From Hunter to Orshansky: An Overview of (Unofficial) Poverty Lines in the United States from 1904 to 1965," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1997); web site: <http://www.census.gov/hhes/poverty/povmeas/papers/>.

Describes the history of American poverty lines and how market baskets were used to specify a given level of well-being. Argues that the drawing of poverty lines is not merely a technical economic exercise, but also a social process. Concludes that: (1) there is no such thing as an absolute poverty line; (2) hypothetical food budgets are an unsatisfactory means of determining the level of food expenditures that a real family requires; (3) poverty lines have usually been developed by advocates of the disadvantaged rather than social scientists; and (4) economists did not get involved in poverty line studies until the War on Poverty in 1964.

Fisher, Gordon M., "Is There Such a Thing as an Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line," *Poverty Measurement Working Papers* (Washington: U.S. Census Bureau, 1995); web site: <http://www.census.gov/hhes/poverty/povmeas/papers/>.

Provides a comprehensive analysis of how the concept of poverty has evolved through time. Concludes that the definition of absolute poverty is not absolute, but very dependent on the standard of living at the time and refers to this tendency as the income elasticity of poverty. Describes in detail a large number of studies of poverty and living standards. Since some of the living standards analyzed were higher than a basic subsistence poverty level, they are similar to a living wage standard of living. Suggests that the living wage as well as the poverty level increase at approximately the same rate as the general standard of living. This has been true historically not only for the United States, but also for Britain, Canada, and Australia. Discusses the history of the development of the U.S. official poverty line and argues that the fixing of this poverty line in real terms since 1969 has been a major historical anomaly.

Global Exchange, *Wages and Living Expenses for Nike Workers in Indonesia* (San Francisco: Global Exchange, 1998); web site: <http://www.globalexchange.org>.

Describes research on wage levels for NIKE workers in Indonesia after the economic crisis in 1997. Approximately 50 interviews with NIKE workers were conducted to determine how their standard of living had been affected by the crisis. The study finds that NIKE workers suffered a significant fall in real income between 1997 and 1998. In addition, it concludes that NIKE workers are not making a living wage based upon a market basket approach. The study provides a fairly detailed market basket made up of food, fuel, kitchen equipment, and clothing and then adds 15 percent to cover miscellaneous additional expenditures. The basket is specified using physical quantities of items (e.g., 12.6 kg of rice per month, 2 T-shirts per year, etc.) and their costs at the time of the survey.

Jobs with Justice, Washington, DC; web site: <http://www.jwj.org>.

Discusses the living wage for U.S. workers and compares it to the prevailing wage.

Kuttner, Robert, "Boston's Living Wage Law Highlights New Grassroots Efforts to Fight Poverty," 1997; web site of Economic Policy Network, <http://www.epn.org>.

Discusses the living wage movement by U.S. cities, with particular emphasis on Boston. Suggests that living wages discourages privatizations intended to cut wages.

Maggs, John, "In Some Cities a 'Living Wage' Prevails," *National Journal* (February 6, 1999), pp. 352-353.

Discusses the movement by cities in the United States to adopt living wages above current minimum wages. Focuses on Baltimore, Maryland, and discusses the fact that workers (with children) currently making the minimum wage are below the poverty line.

National Labor Committee, *Behind Closed Doors: The Workers Who Make Our Clothes* (New York: National Labor Committee, 1998).

Reports the results of an investigation by students from a number of universities who traveled to Central America (El Salvador, Honduras, and Nicaragua) to investigate the conditions under which apparel, some bearing college logos, is produced. Documents interviews with workers in the factories, as well as those with local human rights, women's, religious, and labor groups. Finds that workers in these plants do not make a living wage, as defined by the NGOs they interviewed. Concludes that students should pressure their universities to adopt codes of conduct for apparel sold with their university logos. Proposes that codes of conduct should include the right of the workers to organize unions, public disclosure of where the items are being made, and payment of living wages.

National Priorities Project (NPP), *Working Hard, Earning Less: The Story of Job Growth in America* (Northampton, MA: National Priorities Project, 1998); web site: <http://www.natprior.org>.

Provides an overview of the methodology used by the National Priorities Project to estimate living wages. The living wage in the United States for a two-parent family of four is estimated to be US$32,185 in 1998. Slightly different living wage estimates are provided for the different states since the cost of living varies by state; for example, the living wage for Massachusetts is US$38,489 and US$30,037 for Ohio. These living wage estimates are also used by Jobs for Justice. The NPP living wage calculation uses a modified full basket of goods approach. However, a detailed basket is not specified and then priced, instead expenditure estimates are obtained for several broad categories from different sources. The food expenditure is a dollar figure calculated by the U.S. Department of Agriculture. The housing expenditure uses the 40th percentile of rents as reported in the U.S. Department of Housing and Urban Development's Fair Market Rent Survey. The cost of daycare comes from an estimate provided by the Children's Defense Fund. Transportation, clothing, and personal expenses are derived from the Bureau of Labor Statistics' Consumer Expenditure Survey as to what is typical of lower income households.

Nolan, Justin, *Living Wages: A Corporate Responsibility* ?, Master Thesis, University of California at Berkeley (May 1998).

Describes and evaluates four different methods which have been used by others to calculate a living wage: (1) basic needs assessment; (2) market basket survey; (3) unit labor costs; and (4) wage comparison. Finds that NGOs prefer the first two, since they directly address the question of what income is necessary to satisfy the basic needs of workers. Concludes that NGOs do not support the use of the latter two methods, since they do not address worker needs although they do provide interesting cross-sectional or historical comparison of wages. Suggests that some factors which should be considered in determining a method of calculating a living wage: (1) is it practical to calculate and monitor; (2) will it enhance a company's socially responsible reputation; and (3) can firms afford to pay the calculated wage?

Pakistan Government Planning Commission, *Report of the Working Group on Poverty Alleviation for the Ninth Five Year Plan (1998-2003)* (Islamabad: Government of Pakistan, April 1998).

Describes the nature and level of poverty in Pakistan. Discusses a number of different approaches for the estimation of poverty, but concludes that the use of a calorie norm is the most suitable for defining the poverty line. The Planning Commission defines the poverty line based on minimum daily calorie need of 2,550 calories per rural adult or 2,230 per urban adult; approximately one fourth of the population is below this level. The different levels of calorie requirements for rural and urban areas were established based upon the nature of activities performed. The recommended level of calorie intake is converted into a food poverty line by using the "calorie food consumption function" which involves regressing calorie intake on food expenditure and identifying the expenditure consistent with the required level of calorie intake. The costs of other basic needs (besides food) incorporated into the poverty line are determined by looking at the expenditures on other items of income groups with food consumption at the minimum calorie level. The Planning

Commission discusses some of the advantages and disadvantages of a calorie norm in its chapter on poverty alleviation for the Ninth Five Year Plan (1998-2003). The calorie norm is viewed as a rather restricted conception of poverty, partly because the minimum calorie requirement varies with a person's weight, state of health, and level of activity; nevertheless the approach focuses on the most critical symptom of poverty, i.e., persistent hunger, and is reliable and consistent. The calorie norm also fails to consider access to other amenities, such as employment, productive assets, safe drinking water, schools, medical facilities, sewerage, and housing. When these items are included, poverty appears more widespread; for example 60 percent of the population does not have safe drinking water, 62 percent of adults are illiterate, and 61 percent has no sanitation facility.

Peace and Justice Center, "Livable Wage Campaign," Burlington, VT; web site: <http://www.igc.org/psc>.

Discusses the living wage movement in Vermont. Finds that the living wage in Vermont varies between US$7.98 an hour for a single person to US$19.82 for a two-parent two-child family, compared to the minimum wage of US$5.00 an hour. Calculates a living wage after determining the basic needs (using a full market basket approach) for five family sizes. Items included expenses for food, housing, child care, transportation, health care, clothing, household and personal expenses, insurance, and taxes.

Philippines National Wages and Productivity Commission (NWPC), *Development of Methodology for Estimating Living Wage* (Manila: National Statistics Office/Statistical Research and Training Center/NWPC, 1999).

Provides the methodology and results of an analysis of a Philippines living wage by the National Statistics Office (NSO) and the Statistical Research and Training Center (SRTC) which were commissioned by the National Wages and Productivity Commission (NWPC). Since the 1987 Philippine Constitution provides that workers shall be entitled to a living wage and the Republic Act No. 6727 provides that the demand for a living wage shall be one of the eleven criteria for minimum wage fixing, the NWPC has had to define the term and compute a living wage. The NWPC uses the extrapolated food basket approach to estimate living wages for different regions in the Philippines. Generally, it is concluded that more than one worker must work (at the minimum wage) in order for a family to attain a family living wage. The report raises the issue of whether the family living wage should be a minimum wage since many families have more than one wage earner.

Pollin, Robert and Stephanie Luce, *The Living Wage: Building a Fair Economy* (New York: The New Press, 1998).

An advocacy piece that provides an in-depth look at the living wage movement in the United States in the 1990s. Concentrates on the municipal living wage proposals. Discusses the reasons for the living wage movement (falling real wages since 1973 and a falling real minimum wage since 1968), the rationale for concentrating at the municipal level (political feasibility), the costs to cities of implementing living wages (average contractors costs estimated to rise by only one percent in Los Angeles), the differences in the city ordinances, and who benefits from living wages (primarily those who receive it).

Rothstein, Richard, *Developing Reasonable Standards for Judging whether Minimum Wage Levels in Developing Nations Are Acceptable* (Washington: Economic Policy Institute, 1996).

Examines various dimensions of the living wage issue. Argues that an international labor standards regime cannot expect similar minimum wage standards in nations with different levels of development, but can (or should) require nations to adopt minimum wage levels which are “appropriate” to their level of development. Suggests that an expectation of an acceptable minimum wage level has been incorporated into U.S. trade law, but has not been enforced because there is no workable standard by which “acceptable” can be judged. Argues that there is no definitive method to determine “acceptable,” but proposes a variety of less exact methods which can be used to make that judgement. Proposed methods, which should be reasonable, internationally uniform, and transparent, include that the minimum wage should: (1) equalize unit production costs in apparel export industries, with possible adjustments for the level of development; (2) provide income to purchase a subsistence basket of goods; and (3) be similar to the minimum wages of currently developed nations when they were at similar levels of development. Uses this latter method to compare historical minimum wages in the United States to those currently in Chile, Dominican Republic, and Mexico; he finds that U.S. minimum wages were three or four times higher than those currently in Chile or Mexico, when the United States was at a similar level of development. The study argues that the objective of international labor standards should be to achieve a more equal distribution of income in the developing nations and restrain capital flows to the developing nations, whose motivation is to take advantage of low labor costs.

Schilling, David, “Maquiladora Workers Deserve a Sustainable Living Wage,” *Interfaith Center on Corporate Responsibility Brief*, Vol 23, No. 10 (1995).

Discusses the need for a living wage for the Mexican maquiladora workers. Argues that corporations have a responsibility to pay a living wage and argues that a living wage is a human right.

Sweatshop Watch, Oakland, CA; web page: <http://www.sweatshopwatch.org>.

This web page maintains information on the living wage issue, with regular updates on the latest developments and initiatives related to eliminating sweatshops. Discusses the market basket approach in calculating a living wage.

Sweeney, John, “How about earning $8.56 an hour?” *Miami Herald: International Edition* (February 19, 1999), p. 11a.

Argues that communities need to adopt living wages. Discusses poverty in Miami and the history of the living wage issue at the community level.

The Trade Partnership, *International Child Labor: Options for Action* (Washington: National Retail Federation and National Retail Institute, December 1997).

Estimates that workers in Bangladesh, China, the Dominican Republic, El Salvador, Honduras, Guatemala, India, Pakistan, Thailand, and Turkey are being paid "living wages" which are appropriate to their country's level of development. Using a historical comparison method, the analysis shows that workers in these are being paid wages similar to U.S. wage rates when the United States had the same per capita income.

UNITE (Union of Needletrades, Industrial and Textile Employees), *Was Your Cap Made In This Sweatshop* (New York: UNITE, no date); available on UNITE's web site at: <http://www.uniteunion.org/sweatshops/schoolcap/schoolcap.html>.

Provides results of an investigative trip by students to the BJ&B factory in Santo Domingo, Dominican Republic, that makes baseball caps with university logos. Finds that workers receive only 8 cents for every US$20 dollar cap produced. Concludes that BJ&B is a sweatshop that uses illegal forced overtime, discriminates against women, physically and verbally abuses workers, fails to provide safe drinking water, and suppresses the right to organize unions.

United Kingdom Low Pay Commission, *The National Minimum Wage*, First Report of the Low Pay Commission, Presented to Parliament by the President of the Board of Trade by command of Her Majesty, June 1998); web site: <http://www.lowpay.gov.uk/ir/lowpay/index.htm>.

Discusses establishing a minimum wage in the United Kingdom. Provides recommendations on how the minimum wage should be implemented in terms of coverage, what income to consider, and the proposed rate. Although living wage issues are not explicitly discussed, the study provides extensive analysis regarding implementing minimum wages and may provide useful information and approaches to dealing with establishing wage floors for low paid workers.

Wall Street Journal, "Indonesian Workers to Get Boost in Entry-Level Wages" (March 24, 1999), p. B2.

Describes the NIKE living wage study conducted by Dartmouth College's Tuck School of Business that was used in making wage decisions in Indonesian and Vietnamese plants producing for NIKE.

Wider Opportunities for Women (WOW), Washington, DC; web sites: <http://www.w-o-w.org> and <http://www.workplacesolutions.org>.

WOW has calculated family economic self-sufficiency standards for 10 states and areas (California; District of Columbia; Iowa; Maryland: Montgomery and Prince George's Counties; Illinois; North Carolina; Pennsylvania; Texas; Virginia: City of Alexandria, and Arlington and Fairfax Counties; and Massachusetts), with studies in process in Indiana and New York City (five boroughs). The standards add up the costs of living and working (housing, child care, food, transportation, medical care, miscellaneous expenses, and taxes–including tax credits) to determine the "bottom-line" wages for families based on the number and age of children (70 different family types are calculated) and geographic location. Since the standards are geographically specific, no

standards for the United States as a whole have been calculated, although the methodology used in each jurisdiction is essentially the same. The standards assume that all adults work full-time and take into account the cost of employment (child care, transportation, and taxes), the size and composition of the family, regional variations in costs, and changes over time in costs, demography, and tax policies. The standards are calculated using a market basket approach, pricing each component individually, based on data collected by federal and state government agencies, and, in some cases, by local groups. The self-sufficiency standards are considerably higher than the official U.S. poverty levels since the standards take into account the costs of employment to the individual, child care costs of preschool children, and regional variations, which are not accounted for in the official U.S. poverty measure.

Some results for Massachusetts were published in Diana Pearce and Jennifer Brooks with Laura Henze Russell, *The Self-Sufficiency Standard for Massachusetts: Selected Family Types* (Washington: Wider Opportunities for Women, September 1998). For example, in Boston, a single person with no children needed to earn US$7.52 an hour in 1997 to meet his/her basic needs; a single parent with one preschooler needed US$15.28 an hour; one adult with two children (one preschooler and one school-age) needed US$18.54 an hour; and two adults working full-time, each needed to earn US$10.08 to support their family. The corresponding figures for rural western Massachusetts (Berkshire County) for the same year were: US$6.16; US$11.68; US$13.98; and US$8.08 an hour.

Some results for Montgomery County, Maryland, were reported in Jennifer Brooks [Director of Research, Wider Opportunities for Women (WOW), Washington, DC], "A Real Living Wage," Letter to the Editor, *Washington Post* (July 24, 1999), p. A18. For example, a single parent with a school-age child needs US$13.61 an hour to cover expenses; if that parent had a preschool-age child, US$19.21 an hour would be needed, with child care being a major expense. For a two-parent family with an infant and a preschool-age child, each would need to earn US$11.62 an hour to meet their family's needs.

APPENDIX C

Respondents to *Federal Register* Notice of June 30, 1999 for Public Submissions of Information for the U.S. Department of Labor's Wage Study[1]

<u>Formal Submissions</u>

Asociación Hondureña de Maquiladores, San Pedro Sula, Honduras

Telefacsimile from Henry Fransen, Jr., Genente Administrativo, and Jorge Roberto Interiano, Gerente de Operaciones, to Jorge Perez-Lopez, Director, Office of International Economic Affairs, Bureau of International Labor Affairs, July 14, 1999, with information on minimum wage rates and other benefits for maquiladora workers in *Honduras*.

Chicago Religious Leadership Network on Latin America (CRLN), Chicago, IL

Letter from Daniel P. Driscoll-Shaw, Economic Justice Program Coordinator, to Jorge Perez-Lopez, Director, Office of International Economic Affairs, Bureau of International Labor Affairs, dated July 28, 1999 with three attachments containing relevant information on *Mexico*, *Guatemala*, and *Honduras*. Subsequent submission by letter with enclosures to the Office of International Economic Affairs, received August 17, 1999, providing information on *El Salvador*.

Colombian Government Trade Bureau, Washington, DC

Telefacsimile from Enrique Gomez Pinzon, Director, to the Office of International Economic Affairs, Bureau of International Labor Affairs, August 3, 1999, with information on minimum wages and monthly salaries apparel and footwear factories in *Colombia*.

Confédération Européenne de L'Industrie de la Chaussure/ European Confederation of the Footwear Industry (CEC), Brussels, Belgium

Letter from Roeland Smets, Managing Director, to Andrew J. Samet, Deputy Under Secretary for International Labor Affairs, dated July 23, 1999, expressing views of membership. CEC represents 14 national confederations of European footwear manufacturers (Italy, Spain, Portugal, France, United Kingdom, Germany, Greece, Austria, Denmark, Netherlands, Sweden, Finland, Belgium, and Ireland) and 8 observing countries (Czech Republic, Hungary, Norway, Poland, Romania, Russia, Slovakia, and Turkey).

Embajada de Guatemala, Washington., DC

Telefacsimile from Anamaría Gonzales, Commercial Attaché, to Office of International Economic Affairs, Bureau of International Labor Affairs, July 13, 1999, providing information regarding labor legislation of *Guatemala*, including current minimum wage rates. Subsequent submission by letter with attachments from Ambassador William H. Stixrud to Andrew J. Samet, Deputy Under Secretary for International Labor Affairs, dated August 31, 1999, which conveyed additional information on the minimum wage, prevailing wage, and non-wage benefits in the apparel and footwear industries and the established poverty level for *Guatemala* that was prepared on August 20, 1999 by the Minister of Labor of Guatemala Luis Felipe Linares López.

International Labor Rights Fund, Washington, DC

Letter from Bama Athreya, Director of Asia Programs, to Andrew J. Samet, Deputy Under Secretary for International Labor Affairs, dated July 30, 1999 with four enclosures containing relevant information for *Israel, El Salvador, Bangladesh*, and *Taiwan*. Subsequent submission by letter with enclosure to Office of International Economic Affairs, Bureau of International Labor Affairs, received August 10, 1999, providing information on *Peru*.

<u>Other</u>

Interfaith Center on Corporate Responsibility (ICCR), New York, NY, and **Center for Reflection, Education and Action,**

[1] Information submitted is on file and available for public inspection at the Office of International Economic Affairs, Bureau of International Labor Affairs, U.S. Department of Labor, Washington, DC.

Inc. (CREA), Hartford, CT.

Letter from Rev. David M. Schilling, Director, Interfaith Center on Corporate Accountability Programs, ICCR, and Dr. Ruth Rosenbaum, Executive Director, CREA, to Stephanie Swirsky, Deputy Director, Public Liaison, U.S. Department of Labor, dated June 24, 1999, with attached paper “Purchasing Power Index (PPI) Study Proposal,” which provides some examples of the method’s application in *Mexico, Haiti*, and *Indonesia*.

APPENDIX D

Basic References for Wages, Benefits, and Poverty

Minimum Wage

<u>History, Application, and Guidance on Wage Setting Mechanisms and Supervision</u>

International Labour Organization, *Minimum Wages: Wage-Fixing Machinery, Application and Supervision*, International Labour Conference 79th Session 1992, Report III (Part 4B), General Survey of the Reports on the Minimum Wage-Fixing Machinery Convention (No. 26) and Recommendation (No. 30), 1928; the Minimum Wage Fixing Machinery (Agriculture) Convention (No. 99) and Recommendation (No. 89), 1951; and the Minimum Wage Fixing Convention (No. 131) and Recommendation (No. 135), 1970, Report of the Committee of Experts on the Application of Conventions and Recommendations (Geneva: International Labour Office, 1992).

International Labour Organization, "Minimum Wage Fixing: A Summary of Selected Issues," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 14 (Geneva: International Labour Office, 1998), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/issues3.htm>.

International Labour Organization, *Assessing the Impact of Statutory Minimum Wages in Developing Countries: Four Country Studies*, Labour-Management Relations Series No. 67 (Geneva: International Labour Office, 1988) [The four countries studied are: Botswana, Brazil, Mexico, and Sri Lanka.]

Pember, Robert J., and Marie-Thérèse Dupré, "Statistical Aspects of Minimum Wage Determination," *Bulletin of Labour Statistics*, No. 3 (1997), entire issue. A version of this paper is available on the ILO's website as "Statisitcal Aspects of Minimum Wage Determination," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 11 at: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/stat3.htm>.

Starr, Gerald, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; Second printing with corrections, 1993).

Levels

U.S. Department of State, *Country Reports on Human Rights Practices*, Worker rights, Acceptable Conditions of Work (Section 6e) (Washington: Government Printing Office, 1999).
These annual reports are also available on the Internet at:
<http://www.state.gov/www/global/human_rights/hrp_reports_mainhp.html>.

U.S. Department of State, *Foreign Labor Trends*, selected countries (Washington: U.S. Department of Labor, periodically).

Bureau of Labor Statistics, *Minimum Wages Around the World: Minimum Wage Information for 187 Countries* (Washington: U.S. Department of Labor, unpublished draft, May 1997).

International Labour Office, Bureau of Statistics, Geneva, LABMINW (a minimum wage data base covering 56 countries).

Average Hourly Earnings and Compensation

Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing* (Washington: U.S. Department of Labor, September 16, 1998); web site: <http://stats.bls.gov/flshome.htm>.

The U.S. Bureau of Labor Statistics (BLS) compiles and updates on an annual basis data on hourly earnings and compensation costs for production workers in various manufacturing industries using information from national statistical sources of 31 countries or areas and adjusts these data for comparison with U.S. data. Sectorial data based on the International Standard Industrial Classification (ISIC) and the U.S. Standard Industrial Classification (SIC).

International Labour Organization, *Yearbook of Labor Statistics, 1998* (Geneva: International Labour Office, 1998).

A major source of wage data is the International Labor Organization (ILO), which receives wage data from its member countries. The wage data submitted to the ILO, usually cover all employees (or production workers) and may use varying pay definitions such as total compensation, pay for time worked, or hourly direct pay. These data may or may not fit the definitions of total compensation, hourly direct pay, or pay for time worked used in the United States. Sectoral data based on ISIC, rev. 2 (1980) or rev. 3 (1990). Wage data are not available for Honduras, Indonesia, and the United Arab Emirates.

International Labour Organization, *Sources and Methods, Volume 2, Employment , Wages, Hours of Work and Labour Costs* (Geneva: International Labour Office, 1995).

International Labour Organization, *Key Indicators of the Labour Market 1999* (Geneva: International Labour Office, 1999).

A major source of statistical information on labor force, employment, unemployment, time worked, educational attainment, wages, compensation, productivity, unit labor costs, poverty, and income distribution for over 100 countries.

International Labour Organization, *Globalization of the Footwear, Textiles and Clothing Industries*, Sectoral Activities Programme, Report for discussion at the Tripartite Meeting on the Globalization of the Footwear, Textiles and Clothing Industries: Effects on Employment and Working Conditions, TMFTCI/1996 (Geneva: International Labour Office, 1996).

International Labour Organization, *Note on the Proceedings*, Sectoral Activities Programme, Tripartite Meeting on the Globalization of the Footwear, Textiles and Clothing Industries: Effects on Employment and Working Conditions, Geneva, 28 October-1 November 1996, TMFTCI/1996/11 (Geneva: International Labour Office, 1996).

Consumer Price Index and Exchange Rates

International Monetary Fund, *International Financial Statistics* (Washington: International Monetary Fund, March 1999).

Contains information on the consumer price index for each of the countries covered in this report, except for Macau, Taiwan, and the United Arab Emirates. Contains information on U.S. dollar exchange rates for currencies of each of the countries covered in this report, except for Macau.

U.S. Central Intelligence Agency, *The World Fact Book 1998* (Washington: U.S. Government Printing Office, 1999).

Contains information on the consumer price index for Macau, Taiwan, and the United Arab Emirates. Contains information on U.S. dollar exchange rates for the currency of Macau.

Non-Wage Benefits

Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing* (Washington: U.S. Department of Labor, September 16, 1998); an annual publication.

Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997); updated every two years.

Income, Consumption, and Poverty

International Labour Organization, *Poverty in Developing Countries: A Bibliography of Publications by the ILO's World Employment Programme, 1975-91*, International Labour Bibliography No. 12 (Geneva: International Labour Office, 1992).

Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996); updated every three years.

United Nations Development Programme (UNDP), *Human Development Report 1999* (New York: Oxford University Press, 1999); updated annually.

World Bank, *World Development Report: Knowledge for Development 1998/99* (New York: Oxford University Press, 1999); updated annually.